National Lotteries Board - 2014

The audit of financial statements of the National Lotteries Board for the year ended 31 December 2014 comprising the Statement of financial position as at 31 December 2014, Statement of income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13 (1) of the Finance Act No. 38 of 1971 and Section 11 (b) of the Finance Act No. 11 of 1963. My comments and observations which I consider should be published with the Annual Report of the Board in terms Section 14 (2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Adverse Opinion

Had the matters described in paragraph 2.2 of this report been adjusted, many elements in the accompanying financial statements would have been materially affected.

2. Financial Statements

2.1 Adverse Opinion

In my opinion, because of the significance of the matters described in paragraph 2.2 of this report , the financial statements do not give a true and fair view of the financial position of the National Lotteries Board as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard No.1.

(i) Since the vehicles owned by the Board are utilized for sales and distribution activities, a portion out of the expenditure of Rs.37,514,257 meant for the utilization should be absorbed into the marketing and distribution expenditure on a fair basis. Nevertheless, contrary to that, the total expenditure had been shown under the establishment and administrative expenditure. Further, an expenditure amounting to Rs.44,014,105 for the communication, printing, and stationeries should have been categorized and shown under sales, marketing and distribution expenditure and establishment and administrative expenditure on fair basis according to the objective of the utilization, whereas the total expenditure had been shown under sales, marketing and distribution expenditure.

(ii) An adequate disclosure had not been made with regard to the loan amounting to Rs.325,000,000 obtained by the Board from the Prize Reserve Account during the year under review that had been shown in the statement of changes in equity.

(iii) The Prize Reserve Account, the cash balance receivable from the Treasury for the Income Tax and the cash balance which should be paid accordingly to the Commissioner General of Inland Revenue had not been adequately disclosed in the notes to the accounts furnished along with the financial statements.

(b) Sri Lanka Accounting Standard No.2

Although the stock should be valued at the cost or net realize value ,whichever is lower and shown in the financial statements, the Board had revalued a stock of promotional items and credited a revalued profit amounting to Rs.1,343,522 to the Revaluation Reserve Account in the preceding year. As a result, the Revaluation Reserve Account had been overestimated by that amount.

(c) Sri Lanka Accounting Standard No.7

The following observations are made.

(i) The increase of Rs.22,167,055 of the Revaluation Reserve and Rs. 56,377,929 of the Prize Reserve Account from which no cash inflow or outflow took place in the operations of the Board and the decrease of Rs.521,049,738 of the Cash Account receivable from the Consolidated Fund in respect of the Income Tax had been taken into consideration in the preparation of Cash Flow Statements.

(ii) Although payment of gratuity, Value Added Tax and Nation Building Tax, Income Tax and Differed Tax and the payment of prizes amounting to Rs.1,137,525, Rs.778,755,390, Rs.985,216,486, and Rs.7,515,196,737 respectively should be shown under operating activities in the cash flow statement of the year under review, it had been erroneously shown under the financial activities.

(d) Sri Lanka Accounting Standard No.10

Granting approval for the issue of financial statements and the date of approval had not been disclosed in the financial statements and the events occurred after the date of approval had not been disclosed as well.

(e) Sri Lanka Accounting Standard No.16

(i) In relation to the revaluation of property, plants and equipment, the date of revaluation, whether an independent valuer had involved and the methods and assumptions used in the computation of fair value had not been disclosed in the financial statements.

(ii) An adequate disclosure had not been made with regard to the revaluation loss amounting to Rs.27,296,728 of the Mannar Circuit bungalow shown under the investment property.

(f) Sri Lanka Accounting Standard No.19

Although the overprovision of employees gratuity amounting to Rs.12,385,733 in the previous year resulting from the changes of actuarial assumption had been shown under other comprehensive income, the reason attributed to the overprovision had not been disclosed in the comprehensive income statement.

(g) Sri Lanka Accounting Standard No.38

Details such as effective life span or amortization rate used, amortization method and identified impairment losses etc. on the intangible assets had not been adequately disclosed in the financial statements in accordance with the standard.

(h) Sri Lanka Accounting Standard No.39

Employees loan balance of Rs.101,708,309 that existed as at the end of the year under review had not been computed at the Amortized Cost and shown in the financial statements and the method used for the computation of employees loan interests had not been disclosed.

2.2.2 Accounting Deficiencies

The following observations are made.

a) As the amount of Rs. 1,888,455,133 remitted to the Consolidated Fund during the year under review from the income generated by the Board by drawing lotteries had been adjusted as a cost of sales in the Financial Statements, the profit of the year under review had been understated by that amount.

b) In the absence of winners to claim their prizes , the relevant cash prize should be credited to the Fund of the Board and thereafter transferred to the Treasury. However, as in the previous years, prizes of Rs. 246,424,920 unclaimed for 6 months after the draw had been directly paid to the Treasury during the year under review as well without being credited to the Fund of the Board and, that amount had not been disclosed in the Financial Statements.

c) Lottery tickets worth of Rs. 34,730,650 remained in the custody of an officer of the Mobile Propaganda Division of the Board as at the end of the year under review and scratch-and-win tickets valued at Rs.28,810,000 given to the Zonal Managers and the Welfare Society had been brought to account as sales on credit. Hence, sales income of Rs.63,540,650 and debtor value had been overstated in the accounts by that amount. Out of those sales, sales amounting to Rs.47,242,500 had been made on 31 December of the year under review. This had been the first instance that lottery tickets had been issued to the Zonal Managers on credit basis and some Zonal Managers had not sold lotteries even by the month of April 2015.

d) Although Nation Building Tax of Rs. 211,761,787 should be shown in the statement of income under the selling and distribution expenditure, the Board had shown that tax in the statement of income, being deducted from the lottery sales income.

e) In the purchase of a motor vehicle as the prize relevant to the conduct of " Colombo Airport Super Draw Lottery" , a sum of Rs.8,240,950 paid by the Board as the duty had been shown as a receivable balance, without being accounted as an expenditure.

f) A stock of consumable goods valued at Rs.2,169,622 had been stated twice in the financial statements, whereas according to the stock books of the Board, consumable goods valued at Rs.1,209,445 had not been stated in the financial statements.

g) Although cash prize of Rs.56,377,929 allocated for draws but not entitled by the winners should have been adjusted to the profit of the year under review and transferred to the Prize Reserve Account in the statement of changes in equity, without doing so, it had been adjusted through the ledger accounts. Hence, the profit of the year under review had been understated by that amount.

2.2.3 Unreconciled Control Account

When comparing the schedules given by the Board in relation to the financial statements with the stock books, non-reconciliation of 08 items totalling Rs.611,973 was revealed.

2.2.4 Lack of Evidence for Audit

In support of the accuracy of the credit balances of Rs.71,649,794 existed as at 31 December of the year under review relating to 04 ledger accounts and debit balance of Rs.526,547 relating to one ledger account, any detailed schedules, balance confirmations or reports depicting the composition of the balances had not been made available to audit.

2.3 Accounts Receivable and Payable

The following observations are made.

a) In respect of drawing of “Colombo Airport Super Draw Lottery” , a sum of Rs.14,000,000 remained payable to the Airport Development Authority by the Board since year 2008 up to the year under review.

b) A balance of Rs. 6,353,177 out of the balance amounting to Rs.10,260,252 recoverable as at 31 December of the year under review in respect of bicycles and lottery outlets provided to Sales Agents on credit by the Board, remained unrecovered since the year 2012 and previous years.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions.

Instances of the following non-compliances were observed in audit.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
a) Finance Act No 11 of 1963 as amended by Finance Act (amendment) No 35 of 1997	
(i) Sections 14(2) and 17(1) a	Although money available in the Prize Reserve Account of the Board can be utilized only for the award of prizes of the lotteries conducted by the Board, contrary to the provisions of the Act, a sum of Rs.368,000,000 had been withdrawn from the Prize Reserve Account in 05 occasions under the approval of the Board of Directors for the expenses of the Board and out of that only a sum of Rs.43,000,000 had been credited to the Prize Reserve Account again during the year under review.
(ii) Section 17(2)	Although the savings after the deduction of relevant expenditure from the lottery income should be credited to the Consolidated Fund, without being so credited, a sum of Rs.433,446,392 had been retained relating to the previous years

(iii) Section 20(2)(1)	A sales income of Rs. 2,060,227,100 had been earned through the conduct of "*Sampath Rekha*", "Power Loto" and "*Mega 50 Million* " lotteries without formulating rules for operating those lotteries and publishing in the Gazette with the approval of the Minister in charge of the subject as per provisions of the Section. Out of the that income, a sum of Rs. 997,394,123 had been allocated for prizes and a sum of Rs. 360,539,743 had been spent for the payment of commissions to Sales Agents.
b) Establishments Code of the Democratic Socialist Republic of Sri Lanka	
Section 11 of Chapter xxiv	Although property loans should be granted through banks with effect from 01 January 2005, the Board had granted property loans of Rs. 14,548,296 to officers using the funds of the Board during the year under review. Although the interest recoverable from the officer should be at the rates of 4, 8 and 11 per cent depending on the loan amount, the Board had granted all the property loans under the minimum interest rate of 4 per cent.
c) Public Enterprises Circular No. PED/12 dated 02 June 2003.	
(i) Section 6.5.1	A draft Annual Report of the Board pertaining to the year under review had not been furnished to the Auditor General along with the financial statements.
(ii) Section 9.7	An amount of Rs. 10,480,850 had been paid on the approval of the Board of Directors in the year under review and the previous years as well to the officers who participated in the draws of lotteries without the approval of the Treasury and the payments had also been increased on the approval of the Board of Directors during the year under review.
(iii) Section 9.12	Without obtaining the approval of the Treasury, welfare allowances amounting to Rs.13,940,315 had been paid for the staff in the year under review and the previous years as well on a request made by the Welfare Association on the approval of the Chairman.

d) Department of Public Enterprises Circular No 95 dated 14 June 1994 and Public Enterprises Circular No PED/12 dated 02 June 2003.	In the payment of incentives, approval of the Treasury should be obtained for that purpose. Nevertheless, an amount of Rs.67,107,446 had been paid as incentives in the year under review and the previous years as well on the approval of the Board of Directors without obtaining the approval of the Treasury.
e) Guideline 1.3.2 of Government Procurement Guidelines - 2006	Without being complied with procurement procedure, 176,654,881 of “Sampath Rekha” lotteries valued at Rs.217,556,830 had been printed from October 2012 up to 31 December of the year under review by a printer who prints the other lotteries.
f) Public Administration Circular No 13/2008 (iv) dated 09 February 2011	Payments amounting to Rs. 2,783,900 had been reimbursed to 09 officers entitled to assigned vehicles by exceeding the monthly fuel allowances.
g) Letter No.DMS/C/FC/37 dated 07 December 2006 of the Department of Management Services relating to the implementation of provisions of the Management Services Circular No 30.	Although the approved initial salary step of an Assistant General Manager (Legal) of the Board had been Rs. 25,640, action had been taken to pay salaries by placing the said officer on the initial salary step of Rs. 32,870 with effect from 16 February 2009. Accordingly, over payment of salaries amounting to Rs.499,800 had been made from the year 2009 up to the end of the year under review.
h) Sections 6(iii) and (iv) of Public Enterprises Circular No 57 dated 11 February 2011.	Approval of the Minister in Charge as per the aforesaid provisions had not been obtained on the sponsorships and donations totalling Rs. 114,590,100 spent on 13 items by the Board on Private and Public institutes, and religious ceremonies during the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Board for the year under review amounted to a deficit of Rs.8,663,584 as compared with the corresponding deficit of Rs.133,406,928 for the preceding year thus indicating an improvement of Rs.124,743,344 or 93.5 per cent of the financial result for the year under review as compared with the preceding year. Although adverse variation of sales expenditure, other income, sales, marketing and distribution expenses and administrative expenses amounting to Rs.

949,784,471 existed, the favourable variation amounting to Rs. 1,074,527,815 of the lottery income, financial expenses and income tax had mainly attributed to the decrease of this deficit.

3.2 Analytical Financial Review.

An analysis of the profitability and working capital ratios of the Board for the year under review and the preceding year is given below.

	Ratio	Year 2014	2013
(i)	Gross Profit (Percentage)	13.3	13.2
(ii)	Net Profit/(Loss) (Percentage)	(-0.06)	(-0.96)
(iii)	Current	1.13:1	1.24:1
(iv)	Quick Assets	1.07:1	1.18:1

The following observations are made in this connection.

(a) The increase in the lottery sales income of the year under review by Rs.615,771,275 or 4.2 per cent as compared with the preceding year had given rise to the increase in the gross profit ratio.

(b) The decrease in financial expenses and tax expenses by Rs.7,447,452 and Rs.492,234,454 respectively as compared with the preceding year had mainly attributed for the decrease in the net loss.

(c) The attention of the Board should have been further focused on the maintenance of current and quick assets ratios of the Board at an optimum level.

3.3 Legal Proceedings Instituted Against or by the Board.

A lottery winner had instituted legal proceedings against the Board in connection with a prize of Rs.2,000,000 and a former employee of the Board had filed a case with the Labour Tribunal claiming compensation amounting to Rs. 3,000,000.

4. Operating Review

4.1 Management Inefficiencies

The following observations are made.

a) Although the Board had allocated 47 - 49 per cent of the sales income generated by the other lotteries for prizes, 58 per cent of the income of the third draw of the “Mega 50 Million” lottery conducted during the year under review had been allocated for prizes. A sum of Rs.24,889,292 had been credited to the Prize Reserve Account in the third draw, whereas Rs.30,275,023 had been obtained from the Prize Reserve Accounts of the other lotteries in order to award prizes relating to 1st and 2nd draws of the “Mega 50 Million” lottery. Accordingly, a sum of Rs.5,385,731 from the Prize Reserve Account of the Board had been utilized during three draws of the “Mega 50 Million” lottery.

b) In order to print lotteries at the rate of Rs.0.537 per ticket (inclusive of taxes) for a period of three years from 23 October 2013 up to 23 October 2016, the Board had selected a supplier through the procurement procedure and lotteries valued at Rs.247,252,495 had got printed from the relevant institution during the year under review. In accordance with the paragraph 3.13 of the agreement entered into with the supplier, the lotteries should be printed with the water mark on specially secured papers. Nevertheless, the said company had not printed lottery tickets on the specially secured papers with the watermark up to 11 October 2014 as required by the agreement. Despite the breach of conditions affecting the quality and the security of the tickets by the supplier, the Board had not taken formal course of action on the supplier and lotteries had been purchased at the rate of Rs.0.537 per ticket as per the agreement up to 11 October 2014.

c) A gross income of Rs.243,402,900 had been earned from the “Power Loto” lottery introduced to the market during the year under review within its 24 draws conducted during the same year. According to the Board Paper that gave the decision to initiate the lottery, only Rs.59,633,710 could be spent for the expenses of the Board, whereas the expenditure that could be identified by the information made available to audit being Rs.62,647,558, a sum of Rs.3,013,847 had been spent exceeding the allocated amount. Further, the super prize commencing from Rs. 50 million had not been won by any one during the 24 draws. Although Rs.116,833,392 or 48 per cent of the gross income of one draw had been allocated for prizes according to the prize pattern, only a sum of Rs.94,448,400 or 39 per cent of the gross income had been distributed among the winners relating to the 24 draws held during the year under review.

d) Having identified the promotional requirements and selected the media of publicity through a survey conducted under the patronage of the Assistant General Manager (Marketing) of the Board, two promotional programmes which did not highlight the expected objectives had been implemented by spending an amount totalling Rs.131,538,960. In view of the information revealed to the audit at the in depth examination conducted on the report of the survey, the questionnaire and the manner in which the questionnaire had been filled relating to this marketing survey, it could not be ruled out in audit that this marketing survey had been conducted for the creation of the foundation for a predetermined promotional requirement and a media of publicity.

4.2 Operating Inefficiencies

The following observations are made.

a) Without the approval of the Board of Directors, scratching lotteries had been sold to agents on credit basis during the year under review and the outstanding loan balance as at 31 December 2014 amounted to Rs.184,356,966. Out of credit sales carried out during the year under review, no guarantee whatsoever had been obtained on the credit sales of Rs. 155,150,095. Sales on credit valued at Rs. 20,026,048 had been made by exceeding the limit of the guaranty. However, the Board had not introduced a formal methodology with regard to the issue of lotteries to agents on credit basis up to date.

b) The following matters were observed in connection with publicity expenses of the Board in the year under review.

(i) Although expenses amounting to Rs. 1,269,553,482 had been incurred for publicity programs during the year under review, the required approval of the Department of Public Enterprises in terms of Public Enterprises Circular No 57 dated 11 February 2011 had not been obtained.

(ii) It had not been specifically set out in the agreements whether the payments for a documentary programme should be made as a lump sum or in installments and the payment relevant to that documentary programme amounting to Rs.19,162,500 had been made in 5 installments.

(iii) According to the agreements relating to three documentary programmes, the payments should be paid to the relevant institution on monthly basis, whereas after the copies of the documentary programmes were submitted by the relevant institutions to the Board, the total amount of Rs.18,200,000, Rs.19,600,000 and Rs.19,250,000 respectively had been paid to those three institutions as a lump sum.

(iv) Although a sponsorship of Rs.8,400,000 had been granted for a documentary telecast on a request of a Government institution, the basis for the selection of that programme had not been disclosed to audit.

c) A sum of Rs.6,595,987 paid to the contractor for the construction of Anuradhapura Circuit Bungalow had been capitalized on the approval of the Board of Directors during the year under review. Nevertheless, proper invoices relating to that amount or a report of the Technical Officer to the effect that an amount of work with the prescribed standard had been done in commensurate with the amount of money had not been obtained.

4.3 Transactions of Contentious Nature

The following observations are made.

a) For the purpose of publicity, the Board had spent Rs.64,680,000 for displaying 150 advertisement boards within a period of one year in November of the year under review. Service had been procured from a supplier selected by calling for quotations contrary to the Procurement Guideline and the publicity objective had not been highlighted through the photographs displayed in the advertising board. Hundred and twenty advertising boards had been removed by outside parties by February 2015 and the photographs of the remaining 30 advertisement boards as well were not in conformity with the expected publicity objective.

b) The Board had launched an island wide publicity programme including video shows and street shows by using 4 large trucks from November 2014 to January 2015 at a cost of Rs.66,858,960. In that case, a video programme had been created by spending Rs.2,484,720 through a supplier selected without calling for any quotation contrary to the Procurement Guideline and the publicity objective had not been reflected by that video programme. Further, a street drama group had also been included in the promotional programme, whereas no evidence whatsoever had been made available to audit to establish whether the message given by the street drama to the customers was in keeping with the promotional objective.

c) Three advertisement boards fixed at a cost of Rs.1,428,000 in the preceding year had been renovated by the Board at a cost of Rs.1,428,000 during the year under review. It was observed in audit that the photographs submitted along with the payment vouchers of the year under review were the same photographs relevant to the year 2013.

d) Although the Board had launched a publicity programme by using 50 advertisement boards prepared by calling for quotations contrary to the Procurement Guideline, matters outside the lottery publicity had been displayed by the relevant advertisement boards.

e) Without considering the ability on the reuse of the steel structure of an advertisement board displayed at the same place in the years 2012,2013 and 2014, the Board had made payments to the supplier for the 3 years at the rate of Rs.1,950,000 per annum contrary to the instructions of the Board of Directors. According to the photographs made available to audit, it was observed that the face of the advertisement board had displayed things outside the objectives of the publicity activities of the Board.

f) The Board had carried out a publicity for two categories of lotteries not approved by the Board of Directors at a cost of Rs.3,480,000 with the use of 12 boards in a previous year.

g) The Board had, without identifying the publicity requirement, planning publicity programmes and selecting a media institutions by the Government procurement procerdure, carried out a publicity programme inclusive of a number of extra activities by spending Rs.3,000,000 during the year under review according to a proposal made by a private radio channel. In making payments to the radio channel, only the time used for the broadcast of the advertisements had been established and payments had been made without establishing that the other external activities had been carried out.

h) The Board had carried out lottery publicity activities through a private television channel selected without a formal methodology by spending Rs.20,563,200 during the year under review.

i) The Board pays a commission of 20 cents per lottery ticket to the distributors in respect of distributing lotteries of the Board to the agents. But, the distributors had directly sold 41,924,451 lotteries without being distributed such lotteries to the sales agents. Nevertheless, the Board had paid a commission of Rs.8,384,890 to the distributors based on the commission of 20 cents for the distribution of the above tickets.

j) After the completion of the works of the circuit bungalow constructed at Mannar, the Board had taken over it during the year under review. A valuation report on the circuit bungalow had been obtained from the Department of Government Valuation as at 31 December of the year under review and the revaluation loss resulting from the decrease of the value thereof had been taken to books. As the assessed value of this newly constructed building had decreased by Rs.27,296,728 than the cost, the reasonableness of the cost borne by the Board for the construction was contentious at the audit. The value of this circuit bungalow had been shown as an investment property in the financial statements of the year under review.

4.4 Resources of the Board Given to Other Public Institutes.

Even though it was not possible for the resources owned by the Board, to be utilized by the Line Ministry or any other Public Institute in terms of Paragraph 8.3.9 of Public Enterprises Circular No PED/12 dated 02 June 2003, contrary to that, the Board had released 3 vehicles to other Public Institutions since the year 2006 and an amount of Rs. 690,405 had been spent as repair and maintenance expenses for those vehicles during the year under review. Further, contrary to the aforesaid terms, 03 officers who drawing salaries from the Board had been released to the external institutions since years 2006 and 2007 and action had not been taken for the reimbursement of Rs.1,039,139 paid to those 03 officers as the employees remunerations during the year under review.

4.5 Idle and Underutilized Assets

Under the introduction of computer software of the Board, a computer software for the computerization of the maintenance of inventories had been introduced spending Rs. 668,460. Nevertheless, it had not been fully utilized even by 26 May 2015, the date of audit.

4.6 Personnel Administration

Even though the approved cadre stood at 305 as at 31 December 2014, the Board had deployed a staff of 316 in service. The vacancies in the approved staff had been 17 and 28 persons had been recruited outside the approved cadre on contract bases.

5. Accountability and Good Governance

5.1 Internal Audit

Having established a separate internal audit unit for the Board, the annual internal audit plan had been furnished to the Auditor General for the concurrence, whereas internal audit had not been carried out correspondingly. Furthermore, the relevant internal audit reports had not been furnished to the Auditor General as required by the Financial Regulation 134 (3).

5.2 Procurement Plan

Even though a Procurement Plan had been prepared by the procurement entity in terms of Guideline 4.2 of Government Procurement Guidelines, all the procurements had not been covered therefrom.

5.3 Budgetary Control

The budget of the Board for the year under review had been revised in November 2014. A Significant variance ranging from 7 per cent to 100 per cent was observed between the budgeted value and the actual value of 10 Objects and other item of income, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.4 Unresolved Audit Paragraphs

The following observations are made.

a) Even though the Committee on Public Enterprises had directed on 21 March 2013 that the employee gratuity amounting to Rs. 7,392,287 overpaid during the previous years be recovered to the Board, that amount had neither been recovered, nor disclosed in the financial statements as an amount receivable. The Board had only informed the relevant retired officers in writing that the overpaid gratuity be reimbursed to the Board.

b) Two buildings obtained on rent had been used to maintain the head office and stores without taking actions to construct a building for the Board on the land owned by the Board since the year 2005 with an extent of 112 perches situated in the vicinity of Colombo City. For the building being used to maintain the head office, a rental of Rs. 15,258,406 had been paid during the year under review and the Board had spent a sum totalling Rs.20,928,160 for the office renovation activities and re-installation of electric circuits of that building during the year under review by 16 July 2015, the date of issuing the report. A sum of Rs.1,836,000 had been paid as the rental for a building owned by the Janatha Estate Development Board in respect of obtaining stores facilities during the year under review.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control.

a) Accounting
b) Human Resources Management
c) Assets Management
d) Expenditure Management
e) Stores Control