

Sri Lanka Export Development Board - 2014

The audit of the Financial statements of Sri Lanka Export Development Board for the year ended 31 December 2014 comprising the Statement of financial position as at 31 December 2014 and the Statement of comprehensive income, Statement of changes in title 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 16 of Sri Lanka Export Development Act No. 40 of 1979. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14 (2) (c) of the Finance Act appear in this report.

1.2 Management’s Responsibility for the 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 the 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 judgements, 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 powers to the Auditor General to determine the scope and 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 Qualified Audit Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Export Development 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

Following observations were made.

(a) Sri Lanka Accounting Standard 01

- (i) Even though the Government grants of Rs.8,779,054 and Rs.1,756,112 were received in the year under review and in the preceding year respectively, for purchasing the Capital assets, they were not accounted as Government grants in the Statement of Financial Position.
- (ii) Even though comparative information related to the preceding period for all the amounts reported in the financial statements according to the standard requires to be presented, no action was taken accordingly regarding the property, plant and equipment.

(b) Sri Lanka Accounting Standard 07

- (i) Cash flow statement had not been prepared correctly by identifying the operational, investment and financial activities therein according to the standard, and cash in hand and bank balance were not correctly defined.
- (ii) Adjustment of the share of profit of the associate Company amounting to Rs.83,131,040 had been shown under cash flow generated from investment and monetary activities as cash flow in the cash flow statement.

(c) Sri Lanka Accounting Standard 08

- (i) Even though the method of depreciation prevailed as the accounting policy for depreciation of fixed assets up to 31 December 2011 had been changed to straight line method since the year 2012 in changing the accounting policy according to the standard, it had not been adjusted retrospectively.
- (ii) Action had not been taken to adjust retrospectively and disclose in detail the prior year adjustments of Rs.418,476,859 in the Financial Statements as per the standard.

- (iii) Adjustment of the over-statement of revaluation profit by Rs.100,000 in the previous year under non comprehensive income in the financial statement in the year under review without adjusting as per the standard, had not been disclosed in the notes to the accounts.

(d) Sri Lanka Accounting Standard 16

- (i) Actions had not been taken to revalue the net value of Rs.48,902,871 the cost in use with noncurrent assets of zero and to enter the fair values in the Financial statements.
- (ii) Even though the useful life of the asset has to be considered in deciding the rate of depreciation of Assets, 10 percent for the motor vehicles used less than 10 years and 20 percent for the motor vehicles used more than 10 years had been calculated in depreciating motor vehicles based on the period of used.
- (iii) Even though revaluation profit should be presented in the equity statement and subsequent losses should be adjusted to that revaluation profit as per the standard, revaluation profit was not separately indicated in the financial statements and revaluation loss of Rs.100,000 was indicated under non comprehensive income in the year under review.
- (iv) Depreciation rates for other equipments had not been disclosed in the financial statements.

(e) Sri Lanka Accounting Standard 19

Action had not been taken to use the projected unit credit method in calculating the Employee benefit obligations as per the standard.

(f) Sri Lanka Accounting Standard 20

Total grants of Rs.15,325,675 received to the Board from the Government and out side parties from time to time and their amortized value of Rs.3,866,736 had been shown under Capital and Reserves.

(g) Sri Lanka Accounting Standard 24

Descriptive information of related party transactions had not been disclosed as per the standard.

(h) Sri Lanka Accounting Standard 39

- (i) The balance of Impairment provision of Rs.122,822,417 in the year 2012 had been brought forward to the year under review as well, without reviewing the investment of shares for years 2013 and 2014. It was further observed that

investment value of the companies, from which dividends were not received during the preceding 07 years, was Rs.25,750,000 and provisions for impairment were not made for them.

- (ii) According to the financial statements of the Board as at 31 December of the year under review, export loan balance in arrears was Rs.46,391,543. Out of such amount, impairment provisions had been made for Rs.45,477,591. Since an equal amount had been provided for impairment in the years 2012, 2013 and 2014 without considering the progress of recovery of export loan, removal of a sum of Rs.107,500 recovered from impaired companies had not been adjusted.

2.2.2 Accounting Deficiencies

Following observations were made.

- (a) Expenditure of a sum of Rs.218,559 in the nature of Capital had been accounted as revenue expenditure.
- (b) The total value of Rs.7,357,040 which was not provided under accrued expenses in the year 2013 had been debited to the account of accrued expenses and a sum of Rs.3,988,213 which was provided and paid in the year under review had been debited to the advance account instead of the account of accrued expenses.
- (c) An advance of Rs.1,071,131 paid in the year under review, as advertisement charges of the Trade exhibition scheduled to hold in the year 2015, had been accounted as an expense in the year under review.
- (d) Even though the Board had entered in to agreements to pay Rs.02 million for two tea production companies under the Capacity Development Programme in the year under review, no provision had been made in the financial statements for such purpose.
- (e) Due to erroneous calculation of the period of service of officers, balance of the Gratuity Provision Account had been over stated by Rs.231,561.
- (f) No action had been taken to identify and rectify the abnormal credits in the Debtors' Account amounting to Rs.92,995 and abnormal debits in the Creditors' Account amounting to Rs.10,528,683 at the end of the year under review or to disclose them in the financial statements.
- (g) Prepayments totalling Rs.1,072,659 had been written off against the profit in the year under review, instead of adjusting retrospectively without debiting to the expenses in the respective years.
- (h) Even though the provision of services and supplies had been concluded in relation to the advances of Rs.80,984, it had been shown in the financial statements as unsettled advances as at 31 December in the year under review, instead of settling such advances and accounting under the relevant expenditure.

- (i) Loan balances of Rs.53,581 and interest of Rs.2,823,088 totalling Rs.2,876,669 receivable from Export Production Village Companies had not been accounted.
- (j) Rs.30 million had been granted from the Rural Economic Resuscitation Fund for the pilot project commenced based on Uva Paranagama village, with the intention of continuing the production of export quality vegetables. A sum of Rs. 25 million had been repaid to the Fund on non-receipt of safe housing units as ordered and no provision was made in the financial statements for the payable amount of Rs.5 million. Further, a sum of Rs.2,108,252 had been recovered by 31 December in the year under review for the loan of Rs. 5 million granted at Rs.50,000 per farmer under this project. It had not been paid to the Rural Economic Resuscitation Fund and it had been shown in the financial statements as an amount payable to the Treasury.
- (k) Action had not been taken to recover and account a sum of Rs.2.5 million receivable from 5 various companies which agreed to provide sponsorship for the Sri Lanka EXPO Trade Exhibition held from 28 to 31 March 2012.
- (l) Office rent amounting to Rs.516,495 payable in the year under review, had not been accrued.

2.2.3 Unexplained Differences

Following observations were made.

- (a) Although the value of the investment amounted to Rs.40,548,150 as per the financial statements in the year under review such balance in the schedules amounted to Rs.31,698,150. Thus a difference of a sum of Rs.8,850,000 was observed.
- (b) No explanations had been furnished for the difference of Rs.812,724 between the export credit balance submitted to audit by the Legal Division of the Board and the respective balance in the financial statements.

2.2.4 Lack of evidence for audit

Schedules time analysis and letters for the confirmation of Balances for current assets worth Rs.217,378,519 and current liabilities worth Rs.44,094,883 and share certificates for the investments of Rs.88,410,118 were not presented for the audit.

2.3 Receivable and Payable Accounts

Following observations were made.

- (a) No action had been taken to recover a total amount of Rs.116,489 inclusive of a sum of Rs.65,254 receivable to the Board since 2006 from an officer resigned from the board and a sum of Rs.51,235 receivable from an unidentified debtor.
- (b) No action had been taken to recover the advance of Rs.3,463,068 granted to suppliers for various programmes even though such programmes remained dormant.

- (c) Advance of Rs.16,000 paid without an agreement on 09 January 2014 to a private institute for purchasing a Sony digital voice recorder, had not been settled even by 31 December in the year under review.
- (d) The Board had not recovered the lease rent of Rs.735,875 receivable as per the official sublease agreements.

2.4 Transactions not supported by appropriate authority

Following observations were made.

- (a) Rent totalling Rs.31,500,000 had been paid at the rate of Rs.4,500,000 per month for the Head Office of the Board for the period 15 March 2014 to 25 October 2014 without entering in to an agreement with the rentier. Although, increase in new rent by Rs.500,000 had to be paid with effect from 21 July 2014 as per the valuation report No.CM/CMC/RP/102 of the Regional Valuer of the Greater Colombo Valuation Department on 21 July 2014, the Board had not recovered the overpayment of Rs.2,000,000 due to payment made with effect from April 2014.
- (b) One warehouse of the Board is located in a building belongs to the Municipal Council Dehiwala, Mount Lavinia and lease rent of Rs.99, 960 had been paid for the year under review without entering in to an agreement with that institution. Further even though a part of this building had been sublet to a private company, it had not entered in to a sublease agreement with that company.
- (c) Although the Board had agreed to grant a loan of a maximum limit of Rs.1,000,000 per Export production village at 7 percent interest per annum for the establishment of 5 export production villages in the year 1996 as per the approval of the Board of Directors on 20 February 1996, no action had been taken to recover any amount of the loan of Rs.2,493,310 which had been granted to one export production village company without an agreement. Even though the grants had not been approved under this program, two companies had been granted a sum of Rs.13, 495,029 as non-payable grants.

2.5 Non – compliance with Laws, Rules, Regulations and Management Decisions

Following non compliances were observed.

Reference to laws, rules, regulations and Management Decisions	Non – compliance
---------------------------------------------------------------------------	-------------------------

(a) Export Development Act No.40 of 1979

(i) Section 2 (1)

Meetings of National Development Council for the implementation of Export Development Programs and Policies had not been held during 22 years from the year 1992 to 2014.

(ii) Section 12 (q)

Even though the Board had invested a sum of Rs.929,548,150 in private companies since the year 1988, the approval from the Minister of Finance

- (b) Establishments Code of Democratic Socialist Republic of Sri Lanka

Section 10.1 of Chapter XV and Public Administration Circular No.21/2007 of 11 September 2007
- (c) Financial Regulations of Democratic Socialist Republic of Sri Lanka

- (i) Financial Regulation 71
- (ii) Financial Regulations 104(1), 104(3), 104 (4) and 110
- (iii) Financial Regulation 177
- (iv) Financial Regulation 322(2)
- (v) Financial Regulations 371(2) (b),(c)
- had not been obtained for the purpose. The Board had not paid attention on the circulars issued from time to time by the Department of Public Enterprises for the investment of surplus funds.
- 08 officers had left abroad without obtaining the approval of the Prime Minister to leave out of the country.
- Even though a sum of Rs. 80,000 had been paid as salary and other benefits to a retired officer of the Department of Commerce for the period from 24 September 2013 to 23 November 2013 for the purpose of co-coordinating the activities of Trade exhibition held in parallel with the Commonwealth Heads of Government Meeting (CHOGM), treasury approval had not been obtained for that purpose.
- The Investigating Committee had not presented a comprehensive report to the Chief Accounting Officer on the accidents of 5 vehicles, by conducting an investigation as per the Financial Regulations within three months from the date of accident to identify the officers responsible for the same and containing the proper disciplinary action. A detailed register of damages at accidents had not been maintained.
- Even though government cash collections have to be banked daily, cash received by the Board amounting to Rs.74,972 had been banked after delaying 02 months.
- Action had not been taken to credit, the unpaid salary amounting to Rs.24,390 and a sum of Rs.7,839 kept in hand of the cashier, to the Government income.
- Even though the ad hoc sub imprest once granted should not exceed Rs.20,000, the Board had granted advances totalling to Rs.1,563,500 at 37

- instances by violating the financial regulation. Total amount obtained as advance and more than 50 percent of the advance granted had been repaid and respective officers had retained the sum of Rs.88,490 in their custody for 06 to 27 days.
- (vi) Financial Regulation 396
Action had not been taken in terms of the Financial regulations, regarding 18 Cheques bearing the total value of Rs.317,234, which had not been presented for payment over 06 months after they issued.
- (vii) Financial Regulation 1645
Although Log books had to be maintained mentioning all the details of changes made for the security of the vehicle, the Board has not maintained Log books for 31 vehicles.
- (viii) Financial Regulation 1646
Even though the original copies of monthly summaries of reserved vehicles and daily running charts of the other vehicles have to be sent to the Auditor General after the end of the relevant month and before 15 of the next month, daily running charts of year 2014 had not been presented for the audit.
- (ix) Financial Regulation 1647(e)
A Register of vehicles had not been maintained.
- (d) Treasury Circulars

- (i) Circular No.842 of
19 December 1978
A Fixed Asset Register had not been maintained.
- (ii) Circular
No. MOFP/01/2010/01
of 11 October 2010
- Section 5(i)
Even though incidental allowances can be paid for settling travelling expenses, airport charges, visa charges etc., at the event of not making payment by the foreign Government or the respective institution, the Board had paid a sum of Rs.286,597 as incidental allowances to 05 officers in spite of the fact that respective foreign sponsor institution had born such expenses of foreign travel.
 - Section 06 (i)
Six officers who had to pay combined allowances under Category two in terms of the Circular for travelling abroad had been overpaid a sum of Rs. 448,622 and a sum of Rs. 250,728 respectively in

- 2013 and 2014 as a result of making payment of combined allowances under Category one.
- (e) Public Finance Circular

- (i) Section (vii) of Circular No. PF/PE 14 of 28 February 2001
- Even though the government institutions have enough facilities to hold meetings, conferences and workshops, a sum of Rs.83,600 had been paid as hotel charges holding such programmes in hotels.
- (ii) Circular No. IAI/2002/02 of 28 November 2002
- Even though separate Registers of Assets had to be maintained for computers and computer accessories, such Register had not been maintained for computers and accessories worth Rs.37,066,961.
- (iii) Circular No. 441 of 09 December 2009
- Sections 02 and 03
 - Section 3.5
- Action had not been taken to submit a report to the audit, after carrying out Annual Board of survey as per the financial regulations within the relevant timeframe.
- Two hundred and fifty eight items had been auctioned without the recommendation of the Report of Board of survey 2013.
- (f) Paragraph 9.3.1(b) of Procurement Guidelines of 06 September 2010
- Although a sum of Rs. 274,902 had been paid to a Private Institution for repairing a vehicle of the Board, approval of the Secretary to the Line Ministry had not been obtained for the same.
- (g) Paragraph 5.2.3 of Public Enterprises Circular for Good Governance No. PED 12 of 02 June 2003
- Even though in presenting the budget, Budgeted statement of income and expenditure for the year ended 31 December 2014, Cash flow statement and Budgeted balance sheet as at that date, had to be presented, action had not been taken as per the Circular in the year under review.
- (h) Circular No. NP/3 of the National Planning Department of 06 October 2003
- Even though the project proposal had to be submitted and approval had to be obtained from the National Planning Department prior to implementation of a new project, the Board had not obtained the approval for 2 new projects implemented at the value of Rs.21.3 million in the year under review.
- (i) Paragraph 2 of Public Enterprises Circular No.57 of 11 February 2011
- Even though the advertising programs carried out by the public enterprises had to be included in the action plan along with a complete cost benefit

analysis prepared as per the standards based on its objectives, costs and outcomes, it should be submitted for the approval of the Department of Public Enterprises and a sum of Rs.6,776,430 had been spent for advertising and advertisements for sponsorship, they had not been included as to identify them clearly in the Action Plan for the year 2014.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, for the year ended 31 December 2014, the financial result of the operation of the Board amounted to a surplus of Rs.105,651,865 as compared with the corresponding surplus of Rs.100,514,844 of the preceding year. It was observed a favourable increase of Rs.5,137,021 in the financial result for the year under review as compared with the preceding year.

4. Operational Review

4.1 Performance

Although a sum of Rs,9,702,584 had been spent making participate 143 exporters for 5 exhibitions in a test check of foreign trade exhibitions under export promotion programmes, only 17 exporters out of them had contributed for the promotion of exports. Accordingly, making participate the exporters in foreign trade exhibitions for promotion of export income had not been taken place effectively.

4.2 Management Inefficiencies

Following observations were made.

(a) Even though a media institute had agreed to provide a sponsorship of Rs.5 million for the trade exhibition held in parallel with the Commonwealth Heads of Government Meeting, a written agreement or a confirmation for sponsorship had not been obtained. Therefore, it was unable to recover a sum of Rs.2.5 million by 31 December in the year under review. Further, if it had provided space to the sponsor institutions of this trade exhibition for their stalls and advertising campaigns free of charges, the Board had not paid attention on the facilities to be provided for the sponsors or the conditions to be applied.

(b) Investments

(i) Action had not been taken to recover a sum of Rs.17,315,000 being the value of investments in ordinary shares in 3 companies which had been liquidated in the year under review.

- (ii) The Board had not taken proper action to realize the investments of Rs.34,591,428 in preference shares of 16 companies and investments of Rs.5,132,890 in ordinary shares of 17 companies of which the names had been strike off as they were not re-registered under the new Companies' Act.

- (c) Although the Board had recovered a sum of Rs.13,268,435 over the period from 2006 to 2014 from the loan of Rs. 59,659,978 granted to 166 export companies under the loan scheme commenced during the period from 1983 to 1999 with the objective of improving financial strength of export companies, legal action had not been taken to recover the loan balances of Rs.33,116,208 in arrears from 139 export companies as at 31 December 2005. It was observed that the time analysis of unrecovered loan balance was in between 15 to 20 years, as the Board had not taken legal action on due dates and not following up the progress of loan recovery from the companies for which the legal action had been taken.

4.3 Transactions of Contentious Nature

Following observations were made.

- (a) Training of entrepreneurs had been assigned to the National Youth Services Council, as per a decision of the Director Board without an agreement or a pre identification of the number of entrepreneurs to be trained, the basis of selecting entrepreneurs, training field and the training period under the skill Development Programme which had not been approved in the action plan or budget in the years 2012, 2013 and 2014. The audit was unable to clarify the training expected to be obtained from the National Youth Services Council or the nature of the training related to the export sector via a private driving school since the advance of Rs.845,000 issued to the District Secretary, Mannar on 22 April 2014 had been directly issued to a private driving school. It was observed that, the advance of Rs.3,575,000 had been remained idle in the general deposit account of the respective District Secretary as the project that had to be implemented had not been properly informed to the relevant District Secretaries.

- (b) LED exhibition board maintained at the Bandaranaike Airport on the EXPO 2012 Trade Exhibition held from 28 to 31 March 2012 had been maintained after finishing the said exhibition even up to the year under review by extending the period of agreement. A sum of Rs.73,049 had been paid in excess of the agreed amount in respect of the period from January to September 2013 for this board. It was further observed that the Board had not been able to achieve the expected objectives or there was no such need for advertising as anything had not been advertised on this board during 15 months between 2011 and 2014.

4.4 Apparent Irregularities

Even though the Officer in Charge and the Senior Security Officer of the security service engaged by the Board, had received a sum of Rs.226,530 as salary for the period from 01 January to 31 October 2014, by placing fictitious signatures as to engaged in duties of another two security posts, the Board had not taken action to recover such salaries.

4.5 Ultra Vires Transactions

Following observations are made.

- (a) The Board had approved a sum of Rs.15 million, for the implementation of chili cultivation project in Vavuniya and Mannar districts with the objective of supplying chilies for the export market, stating that it had been included in the Mahinda Chinthana “Vision for the future”. But so far no export had been sent to the export market from the chili cultivation project started in 50 Acres, by spending Rs.22.7 million exceeding the approved amount. It was observed that, the Board had engaged in agricultural activities contrary to the objectives of the Board through export promotion programs.
- (b) Even though the Board had invested a sum of Rs.8 million, without the approval of the Minister, in the share capital of the private company established with the objectives of bidding for Common Wealth Games – 2018 Hambantota, promotion of sports in Sri Lanka, organizing sport events as per the national and international standards and investing in sport training facilities etc, benefits had not been obtained on such investments.
- (c) The Board had spent a cost of Rs.4,020,848 in the year under review contrary to the powers and functions of the Board in terms of Section 12(1) of the Sri Lanka Export Development Act No.40 of 1979.

4.6 Idle Assets

Following observations are made.

- (a) Even though 8 items of office equipment and computer accessories which were not in use since the year 2009 and 27 vehicle spare parts remained idle since the year 2011 no action had been taken in that respect.
- (b) Due to purchasing and printing of stationery without a proper management for the exhibition programmes and workshops conducted by the Board, 54 stationery items purchased since the year 2008 for the utilization of the Board and stocks to the value of Rs.1,301,922 had been stored without any use.

4.7 Uneconomic Transactions

Dividends had not been received for the period of 1997 – 2014, for the investment of Rs.105,058,084 made in preference shares in 30 companies and for the period of 2001 – 2014, for the investment of Rs.43,494,334 made in ordinary shares in 31 companies.

4.8 Personnel Administration

Approved and actual Cadre of the Board as at 31 December 2014 were 282 and 223 respectively. Hence No. of vacancies was 59. Although four employees had been recruited on contract basis, approval had not been obtained for that purpose.

4.9 Resources of the Board given for the other public institutions

Five vehicles belonging to the Board and 4 officers had been engaged in the Line Ministry irrespective of Section 8.3.9 of Public Enterprises Circular for Good Governance No. PED 12 dated 02 June 2003, and hence in the year under review sums of Rs.1,593,229 and Rs.1,231,027, totalling to Rs.2,824,256, had been borne by the Board as vehicle maintenance expenses and salaries and allowances of personnel respectively.

4.10 Utilization of Vehicles

Even though the usage of vehicles on the basis of reservation in a Public Corporation had been limited only to the Chairman, Director General and Executive Director in terms of Section 8.3.5(a) of Public Enterprises Circular for Good Governance No. PED 12 dated 02 June 2003, office vehicles had been given to the officers who hold the posts of Directors of the Board to travel from home to work place and for private travels violating the circular. A sum of Rs.3,192,029 had been spent for fuel in the year under review.

5. Accountability and Good Governance

5.1 Internal Audit

Internal audit programmes and the audit plan had not been prepared as per Section 7 and 9 of the Management Audit Circular No. DMA/2009/ (1) dated 09 June 2009 and implementation of audit activities had been in a poor state. However, 6 audit queries had been issued in the year under review, Board had not paid attention on the issues mentioned therein and action had not been taken to rectify them.

5.2 Unresolved Audit Paragraphs

Audit Paragraphs which had not been paid sufficient attention, even if the following facts had been pointed out in the previous audit reports are mentioned below.

Reference to the audit paragraph in 2013

(a) Transactions not supported by sufficient authority.

Summary of the audit paragraph

(i) A sum of Rs.841,000 had been paid as lease rent with effect from 01 August 2013 to 31 December 2013 either without extending the lease period or entering in to a new agreement.

(ii) A sum of Rs.1,009,740 which had been indicated as payable to the Colombo District Secretariat under the “Jathika Saviya” programme had been credited to the income, neither getting confirmed from that office nor obtaining proper approval.

- (b) Non-compliance with laws, rules, regulations and management decisions.
- (j) Section 3.5 of Chapter XXIV of Establishments Code of Democratic Socialist Republic of Sri Lanka Limit of total monthly deductions had been treated as 50 percent of the monthly salary, in granting Motor Cycle loan and Distress Loan.
- (ii) National Budget Circular No.150 dated 07 December 2010. A sum of Rs.10,051,179 had been paid as lease rent by 31 December 2013, for 04 vehicles on the basis of lease rent for 05 years without obtaining them under leasing.
- (iii) Section 02 of Public Enterprises Department Circular No. 95 dated 14 June 1994. Travelling allowance paid in the year 2013 was Rs.5,004,963 subjecting to a maximum limit of Rs.5,500 per month for the Deputy Directors of the Board and Rs.164 per day for the other employees.
- (c) Management Inefficiencies Outstanding Rental and electricity charges of Rs.7,049,858 to be recovered from 5 shops maintained by the Board over the period of 2004-2009 at Sri Lanka Trade Center at Chennai, India, had not been recovered even up to 30 June 2014.

Reference to the audit Paragraph in 2012

- (d) Transactions not proven by sufficient authority Total amount of Rs.1,557,337 had been paid out of the funds of the Board, as monthly allowances, fuel allowances and telephone charges as at 31 December 2012, to an executive Director appointed contradictory to the Export Development Act No.40 of 1979.
- (e) Identified Losses Action had not been taken by the Board to recover a sum of Rs.1,000,000 invested in the private company which had been established for the project of leather products of the “Hambanthota Bataatha” Industry Programme as it had been abandoned the commencement of work.

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. Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Investments
- (c) Recovery of Loan
- (d) Outstanding Income
- (e) Control of Assets
- (f) Trade Exhibitions
- (g) Budget