

Industrial Development Board of Ceylon -2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Industrial Development Board of Ceylon for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies 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 provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the General Secretariat.

1.4 Audit Scope (Auditor's Responsibility for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's / Department's / District Secretariat's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidences obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National councils' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary, the following:

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the National council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to the powers, functions and duties; and
- Whether the resources of the Fund has been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit observations regarding the preparation of financial statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance -----	Comment of the Management -----	Recommendation -----
<p>The effective lifespan of assets should be reviewed at least every financial year in accordance with the paragraph 51 of Sri Lanka Accounting Standard 16 on Property, Plants and Equipment, and if the effective lifespan is different from previous estimates, it should be accounted according to Sri Lanka Accounting Standard (LKAS 8). However, the effective lifespan of the property, plant and equipment with a cost of Rs.239,502,566, which had been fully depreciated by 01 January 2020 and currently in use, had not been reviewed and accounted accordingly.</p>	<p>Even though the assets had been revaluated in year 2015, those revaluated values were not taken into accounts as it has not been done correctly.</p>	<p>Assets should be revaluated in accordance with the provisions of the standard and necessary adjustments should be made in the accounts accordingly.</p>

1.5.2 Unreconciled Control Accounts or Records

A difference of Rs. 8,635,868 had been observed between the value according to the financial statements and the value according to the corresponding reports in respect of 03 accounting subjects and no action was taken to compare and correct the accounts.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comment of the Management	Recommendation
(a) There was an amount of Rs.16,880,725 ,which could not be recovered from the year 2009 to the year 2019, out of the prepaid advance amount of Rs. 64,219,945 paid for purchase of scraps and other purchases by the end of the year under review. There was an amount of Rs. 6,474,386, which could not be recovered from the year 2009 to the year 2019, out of the prepaid advance amount of Rs. 28,192,542 paid for purchasing of scraps.	Agree with the audit observation. Further action will be taken to settle these balances.	Action should be taken to recover or settle the balances due expeditiously.
(b) The institution had not taken action to recover the trade debit and other outstanding balances totalling to Rs. 18,578,830, which had been in existence for more than two years.	Further action will be taken to settle these balances.	Action should be taken to settle expeditiously.

1.6.2 Payables

Audit Observation	Comment of the Management	Recommendation
No action had been taken by the institute to settle the total balance of payable Rs. 22,568,529, which comes from more than two years.	The amount withheld when releasing payments to suppliers. This withheld amount will be released upon requests from those suppliers.	Action should be taken to settle quickly.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comment of the Management	Recommendation
Recruitment Scheme of the Board approved in the Year 2013.	(i) An officer who did not meet the qualifications mentioned in the approved recruitment scheme was recruited to the post of	Arrangements have been made by the Board of Inquiry to conduct a formal inquiry. Furthermore, the	The approved recruitment procedure should be followed.

Sales Director and paid Rs. 9,229,428 as salary and allowances from 26 June 2015 to 31 December 2020.

Director of Sales has been interdicted by the letter dated 06.10.2021.

(ii) An officer, who had held the post of Deputy Director (Enterprise Development), was recruited to the post of Deputy Director (Industrial Estates) with effect from 01 January 2013, even though he did not meet the qualifications mentioned in the approved recruitment scheme. The difference between salaries and allowances of the two posts from then until September 2020 was approximately Rs. 3,977,595.

Necessary arrangements are being made to conduct a formal internal investigation in this regard. Further, this officer has resigned from the Board by now.

The approved recruitment scheme should be followed.

2. Financial Review

2.1 Financial Result

The operating result of the year under review had been a profit of Rs. 14,022,747 as against the deficit of Rs. 7,828,307 in the preceding year, thus indicating an improvement of Rs. 21,851,054 in the financial result. The increase in sales income and Government grants had mainly attributed to the said improvement.

2.2 Trend Analysis of Major Income and Expenditure Items

	<u>2020</u> (Rs.)	<u>2019</u> (Rs.)	<u>Difference</u> (Rs.)	<u>%</u>
Income (scrap)	24,576,340	241,885,519	5,690,821	2.4
<u>Sales cost</u>				6.6
Direct labor	4,178,580	8,287,193	4,108,613	
Indirect raw material	483,643	4,764,080	4,280,437	
Scrap project- sales cost	165,876,436	174,649,110	8,772,674	

Total revenue of scrap items for the year under review increased by 2.4 percent compared to the previous year, while sales cost decreased by 6.6 percent.

2.3 Ratio Analysis

<u>Ratio</u>	<u>2020</u>	<u>2019</u>
Current Asset Ratio	1:1.3	1:1.3
Gross profit Ratio	38.39	31
Net Profit Ratio	3.52	(2)

The increase in net profit ratio was due to higher sales revenue and lower sales costs for the year.

3. Operational Review

3.1 Management Inefficiencies

<u>Audit Observation</u>	<u>Comment of the Management</u>	<u>Recommendation</u>
(a) The Food Laboratory had been built with the objective of promotion and development of the business as well as upgrading the quality of food products in the local and international markets by providing food laboratory testing services to small and medium scale industrialists. Even though Rs. 2,380,630 had been earned from 246 test reports received by the Food Laboratory during the period from December 2019 to 31 December 2020, 80% from revenue received the tests conducted had to be paid for an external institute as this laboratory had functioned in conjunction with that external institute without operating independently.	Sub-contracting system should be followed to provide a better service from a laboratory based on the ability to test in a laboratory, and it is advisable to provide the service under sub-contract system even from another country when a client requests with parameters not done in Sri Lanka. Following the subcontracting method, the revenue does not change as the signed agreement divides the revenue as per the other checks for the board.	Agreements should be entered into in such a way that the institute maximizes revenue.
(b) Under the entrepreneurship village development programme, items worth Rs. 5,556,411 issued by the warehouse of the Ceylon Industrial Development Board for distribution to Wankane and Pansalgoda villages in Hambantota District in Mannar District respectively were stored in the District Offices of the Ceylon Industrial Development Board without distributing among the beneficiaries.	The relevant District Deputy Directors have been informed to distribute the equipment purchased for distribution to the village.	Purchased items should be delivered promptly.

(c) An income of Rs. 63,000 had been earned by providing training and technical advice to 28 industrialists up to February 2020 from rubber injection molding machine purchased at a cost of Rs. 9,318,026 in the year 2016 with the aim of improving the quality of products of small and medium scale industrialists, minimizing waste, streamlining the production process and reducing production costs. Similarly, even though this machine is a machine in production form, no manufacturing work has been done other than training since the day of purchase. The machine had been inactive until 30 July 2021, the audit date, due to it has not been taken into operation after 21 February 2020. The revenue that could have been obtained by the Board had been lost due to non-implementation of a relevant programme to get a contribution for the production of this high capacity machine.

- Created awareness among 250 to 300 industrialists using these machines by now, and programmes as well as practical trainings have been conducted to bring them to foreign markets and to manufacture the goods of the same standard locally, but their focus has lagged behind.
- A Memorandum of Understanding (MoU) to be signed with the Automotive Parts Manufacturers' Association (ASPA) for the production of goods in accordance with the implementation of the "Standard Process - SOP" for the production of imported goods from that standard.
- The machine is currently being repaired.

Efforts should be made to use the assets of the institution effectively.

3.2 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>(a) The board has been unable to acquire the rights of the ownership of the land in extent 1.2953 hectares, where the Board has been established, and the lands in extent 13 Acres 03 Roods and 34 Perches, where the Regional Offices are located. Even though the property has a large commercial value, it has not yet been possible to calculate the value and include it in the board's financial statements. Private businesses are being operated in about 3/4 of the land where the building on which the head office is located, and the board has failed to collect any rent or building rent from them.</p>	<p>The transfer of the land to the Industrial Development Board could not be carried out properly as the original owner of the land, where the head office is located, could not be traced.</p> <p>Even though the Cabinet approved the transfer of the new ground land to the Board, it has not been possible still to recover the rent from the businesses located in the premises since the legal ownership of the land has not yet been transferred to this Board by the Divisional Secretary of Moratuwa.</p>	<p>Action should be taken to take over to the board.</p>

- (b) There are 761 plots in 18 industrial estates owned by the Board and 90 plots of land had not been allotted to industrialists as at 31 December 2020, and those plots remained vacant. Similar, 47 plots of land in 14 estates had been closed due to non-operation of industries. Further, 11 plots out of the 43 plots allotted for industries in 03 states had been used for residential purposes.
- New investors are being informed on the transfer of vacant plots and a survey has been launched to obtain information on resumption of non-performing industries or transfer to new investors. Similarly, even though the lands had been transferred in the 1990s, they were used for residential purposes without commencing any industries.
- Measures should be taken to distribute plots to industrialists and to develop productive industries.
- (c) Rs. 40 million has been spent for purchasing of 04 robotic machines, 02 CNC lathes and mills and other related equipment worth Rs. 80 million required to commence a Centre of Excellence for Robotic Applications and for renovation of a building of the Ceylon Industrial Development Board by the Cabinet decision no. අමප/16/1424/723/039 and set up there on March 2018 except 02 lathes and mill machines. Even though the executive officer recruited to implement this has been paid a sum of Rs. 11 million as salaries and allowances of Rs. 725,000 per month for the period from September 2017 to October 2018, action had not been taken to register it as a company, and recruit the required staff and commence operations. This centre which was under the Ministry of Industries had been assigned to the Ministry of Science and Technology by the Gazette Notification no. 2013/14 dated 28 December 2018 due to its' unsuccessfulness and again assigned under the Ministry of Industries from August 2020.
- It had been decided to shift the machineries available at this centre to the Tress city, Colombo 10 as per the Cabinet decision no. 20/1725/320/025 dated 16 November 2020 under this
- Even though it has been informed by the cabinet decision dated 16 November 2020 that the robots and other equipment will be removed, it is kindly informed that nothing has been happened to date, and requests have been made to the Secretary of the Ministry to remove the equipment and vacate the premises as soon as possible.
- It is also informed that all operations are carried out as per the instructions and directives of the line ministry.
- The project should be restarted expeditiously by consensus and action should be taken to utilize the assets effectively.

circumstances. It was revealed that these robots and their related equipment had been idle by 30 August 2021, the date of the audit, from the date of purchase and were subjected to internal corrosion and could not be activated due to the inclusion of passwords for certain software.

Even though the Centre of Excellence for Robotics had been established to encourage, develop and assist development of Sri Lankan industries, it had not yet been accomplished.

- (d) Two CNC Lathe and 5 axis milling machines (CNC Lathe & Milling Machine) worth Rs. 35,788,924, purchased for this robotics centre on 02 August 2019, had been established in a building of the Engineering Division of the Industrial Development Board outside the "Navabima" building, where the centre is established. Even though it had been stated at the time of evaluating its specifications that a specialized engineer would be required to design and execute complex tasks using the 5 axis milling machine, and if not available, the relevant machines would be inactivated or underutilized, but so far no engineer has been recruited for this purpose, and the officers had not been trained even to use the axis.

Lathes and milling machines are now being used effectively. An engineer has been assigned for this purpose and arrangements have been made to provide the necessary training and to execute work orders. It is further proposed to fill the shortage of more than half of the required number of skilled engineering staff which has been vacant for a long time.

Efforts should be made to use the assets effectively.

- (e) Even though it has been stated that scrap metal should be distributed to small and medium scale industrialists on a fair basis according to the guidelines on management of scrap metal prepared by the Ceylon Industrial Development Board in year 2013, 52% out of dilapidated transformers worth Rs. 43,382,731 or Rs. 22,453,167, sold by the Board to

In some cases, there are instances, where a small amount of other raw material is provided with that main ingredient, when institutes provide one raw material, while others supply a small amount of that raw material with the same raw material.

In such cases, since the quantity of the minor raw material must be removed and it is difficult to give

Defective metals should be distributed on a reasonable basis for the industrial development of small and medium scale industrialists.

industrialists in the year 2020, had been given to three industrialists, who have not made a request or not recommended, 48% or Rs. 20,929,564 had been given to nine industrialists.

15,000 litres, which is 37% out of the 40,150 litres of Transformer oil purchased had been given to a non-small and medium scale industrialist. Even though 1,062,816 kilograms of 06 types of scrap metal had been sold, 14 industrialists out of 61 industrialists who requested 1,455,000kg had not received anything as well as 21 industrialists who have not requested those items had been given 35,755kg. Even though 14,970 litres of Furnace Oil had been sold, only 12 out of 40 industrialists who requested for had been given scrap material and 44 out of 296 industrialists had not been provided with any scrap item.

- (f) The Bamboo timber project had been jointly initiated by the Ceylon Industrial Development Board and UNIDO with the primary objective of producing marketable quality products in sufficient quantities to make the use of bamboo timber cost effectively and to have a positive impact on income, employment and livelihood. In the year 2019, 5 workshops had been conducted for 18 beneficiaries within 42 days at the Ceylon Industrial Development Board premises at a cost of Rs. 7,438,682 provided by UNIDO in connection with this project, and 11 selected beneficiaries were provided with equipment worth Rs. 2,349,199 in July 2020 to create ornaments and souvenirs using bamboo. Since producing cost effective quality products was a difficult task for the beneficiaries due to difficulties in

a very small amount for another registered industrialist after paying the transportation fee, that small amount of raw material is given to the industrialist who obtains the main raw material, there is a possibility that the relevant raw material to be given to the main industrialist.

Recommendations on the equipment to be provided to the beneficiaries should be provided by UNIDO officials.

Bamboo Purchase, Transport and Market:

The Board in consultation with the Department of Forest Conservation has requested all District Forest Officers by letter no. H3/10/04/2020 dated 22/12/2020 to issue permits for the transportation of bamboo logging as soon as possible and with priority as there are inconveniences and delays to the entrepreneurs due to the legal process required to bamboo logging and obtaining transport licenses. Even though the fee for transportation is high when the giant bamboo species is brought from the Central Province to

Action should be taken to achieve the objectives of the project expeditiously.

obtaining bamboo timber to achieve the main objectives of the project, increasing cost for transportation of bamboo timber, difficulty in using the equipment provided etc., they had missed an increase in their income or a positive impact on their livelihood. Similarly, even though it was also expected that the project would provide livelihood assistance to 320 identified beneficiaries and 60 raw material suppliers, but this has not happened. A secondary objective of this project is to establish a training center for manufacturing of bamboo products, and even though machinery valued US \$ 101,130 provided by UNIDO was installed in the building, where the Laksala Carpentry Factory was located, on 28 May 2020, which had been renovated at a cost of Rs. 273,360, those machineries had been idled since trainings had not commenced for the bamboo products by the audit date i.e. 30 June 2021 also.

Kandy area, the cost to industrialists will be minimum than that at the local level. The main market for handicrafts developed by trainees is on the tourism industry. The island's tourism industry has completely collapsed due to the Covid epidemic situation, and this market will be settled once the tourism industry recovers. Even though the center was opened on 21.12.2020, the government has banned the holding of discussions, seminars and training programmes in the island due to the outbreak of Covid 19 epidemic which was spreading in year 2020 and 2021. Once the epidemic is over, the project will be able to move easily to the right goals.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) Even though arrangements had to be made to purchase equipment suitable for installation by the time construction of the Microbiology Laboratory located on the first floor of the Food Laboratory is completed, this equipment had been purchased in the year 2019 and the equipment valued Rs. 6,203,670 was kept idle on the basement with the packaging by the end of July 2021 also.	All equipment is expected to be installed by December this year.	Efforts should be made to use the assets effectively.

(b) Under the 'Nangwamu Lanka' National Programme, the beneficiaries had to be selected covering all the districts of the island based on appropriate criteria such as unemployment and poverty and training programmes had to be conducted. Goods and machinery required for their business had to be procured by the District Secretariats and had to be handed over to the District Deputy Director, Ceylon Industrial Development Board and thereafter those goods should be distributed to the beneficiaries by Deputy Director jointly with other institutes connected with this programme.

Accordingly, goods worth Rs. 55.8 million purchased in the end of year 2019 and before March 2020 had been brought to the Head Office of the Industrial Development Board through an internal note dated 18 August 2020 for distribution among the beneficiaries in Badulla, Matale and Kandy districts. Even though training programmes had been conducted throughout the island at a cost of Rs. 16,772,403 as administrative, training and other expenses, the goods had not been distributed to the beneficiaries and had been stored idle in several warehouses exceeding their warranty period also.

(c) It was revealed that there were 64 rubber related machineries at the Peliyagoda Rubber Product Development and Service Centre out of which 24 machines have been inactive for a period of 1 to 36 years and one machine has not been used since the date of purchase.

Due to the fact that the relevant procurement activities had been completed in only three districts and there were some ambiguities in the selection of beneficiaries, action was taken to accept the procurement machinery and equipment to the Head Office Store with the objective of providing to a most suitable group of beneficiaries covering the entire island on a more equitable basis.

Necessary arrangements will be made to support future programmes organized by the Enterprise Development Authority to distribute these machines and equipment among suitable beneficiaries through the National Enterprise Development Authority under the project 'Home Entrepreneurship power to Strengthen the economy through industrial nutrition' as per Cabinet Paper No. 21/0577/320/017 for redistribution of these machines and equipment to the eligible beneficiaries.

Most of the machineries available in the rubber section is initially mounted machinery. Repairs have been halted due to non-availability of spare parts for repairs to the machines and it is advisable to purchase state-of-the-art machinery and equipment according to the amount utilized for repairing those machineries, and machines similar to such machines should be purchased through purchase of capital goods and external funds.

Action should be taken to continue the objectives of the programme and to distribute goods and machinery to enable the beneficiaries to use the assets effectively.

Action should be taken to obtain only the essential equipment.

3.4 Procurement Management

Audit Observation

Even though the contract for the construction of the Gampaha District Office had been handed over to the Building Department on 19 December 2017 at an estimated cost of Rs. 38,139,000, the handing over of the contract by the Building Department to a private contractor to complete the construction in 301 days at a VAT free amount of Rs. 26,379,710 had been delayed until 21 January 2019. Even though Rs. 2,914,000 and Rs. 2,964,640 had been paid in advance through bills due to the decision of the management of the board to construct only the first floor of the building, 04 years have passed by June 2021 after the tender was awarded by June 2021. However, only a suitable foundation of the two-story building had been constructed. Tenders had been called again on 26 June 2021 and contract for construction of the ground floor in 186 days had been handed over to another private contractor on 05 August 2021 at a cost of Rs. 15,035,958 (VAT free), and the construction work had been commenced when the Board did not have the legal title to the land.

Comment of the Management

Currently, tenders have been called by now for the construction of the ground floor in the year 2021, and the construction work of the building has been commenced. Consultancy and supervision activities regarding the construction are done by the Building Department.

Recommendation

Construction should be completed as soon as possible.

3.5 Human Resource Management

Audit Observation

- (a) The post of Business Promotion Officer is a Junior Management level post as per the Board's Recruitment Scheme. However, 55 officers have been given the Intermediate Management level as the Business Promotion Manager based on a case decision. Even though the approval for the inclusion of these officers in the staff

Comment of the Management

Even though approval was sought from the Department of Management Services for appointment of 55 Business Promotion Officers to the level of Central Management as Business Promotion Managers, it was not granted. Accordingly, the officers have filed a case CA (wrid) 122/2021 before the Court of

Recommendation

Approval of the Department of Management Services should be obtained before awarding posts.

approved by the Board had to be obtained from the Department of Management Services that approval had not been obtained by 30 July 2021 also.

(b) A Digital Media Adviser who is not in the approved cadre of the board had been appointed for a period of 6 months from 21 September 2020 with the approval of the Board of Directors without the full approval of the Treasury and the Department of Management Services. According to the Board paper, formulation and implementation of an appropriate programme to build the Board's image, promoting the Board's activities on social media, and updating and enhancing the Board's internal officers' knowledge on digital communication are the tasks to be done by them. Even though Rs. 758,640 had been paid for 06 months as a monthly allowance of Rs. 126, 440, which consists of an allowance of Rs. 60,000, a transport allowance of Rs. 50,000 and a fuel allowance of Rs. 16,440, the information related to arrival and departure and information that he has performed the tasks assigned to him had not been submitted for audit.

(c) Even though an acting appointment should be made only as a temporary remedy until a permanent appointment is made, 12 officers, including 8 Assistant Directors, had been appointed by the end of the year under review, out of which 8 officers had a term of more than 2 years.

Appeal, which is still pending.

The digital media advisor who had been recruited to promote the services rendered by the board to the SME sector in the public, private and social media, and to expand the market opportunities for Lakkam products ,and to keep the board website innovative and attractive nature is away from the board after completing his six-month contract. He had been hired as a consultant, his daily arrival or departure information was not required as a staff employee.

Even though two letters dated 13.08.2018 and 18.03.2019 had been sent to the Management Services Department for the recruitment of acting officers to the full time posts, the relevant approval was not received.

Prior approval of the Department of Management Services should be obtained before appointing to posts and recruitments should be made only within the approved staff.

Vacancies should be filled.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Management	Recommendation
(a) Even though the marketing division has been established with the objective of marketing the products manufactured by small and medium scale industrialists, promoting services, assisting in establishment of relationships with future markets, 4 out of 8 activities had not been performed during the progress inspection. Out of the 4 activities carried out, the progress of supplying the scrap metal required by the industrialists was 66 per cent while the progress of the other 03 activities was between 6 and 20 per cent. About 95 percent of the sector's revenue received from the sale of scrap metal, and the attention has not been drawn for achieving other objectives.	Functions that assemble industrialists such as exhibitions could not be held throughout the last year due to the corona epidemic. Further, no proper orders had been received from the government agencies related to the inter-contract project.	Action should be taken to achieve the goals.
(b) Even though the Engineering Division has been established for the purpose of providing technical assistance to other divisions of the Board, providing the necessary technology for the needs of the rural community, preparing quality reports and assessment reports for industries, and for the development of casting facilities for the local metal industry, progress on 5 tasks within 14 tasks which include in the action plan of this division was 0% ,and the progress on completion of other tasks ranged from 16 to 39 percent.	The decline in demand for machinery services in year 2020 due to the Covid 19 epidemic, the implementation of the essential services criteria and the quarantine situation also directly affected to the failure to complete the given target.	- do -
(c) Even though the Peliyagoda Rubber Product Development and Service Center has been established with the primary	All the activities here are carried out at the request of the industrialists and ultimately the shortage of human resources also affected for the same,	- do -

objective of introducing rubber products projects, facilitating the development of rubber products, quality inspections and inspecting the quality, supply of chemicals, supply of latex compounds, synthetic and natural rubber compounds and technical training in rubber product manufacturing, 2 out of 8 activities had not been performed during the progress test and the progress of 3 was at a level less than 50 percent.

and the current Covid 19 epidemic situation in the country caused for the same.