

Sri Lanka Handicrafts Board - 2019

1.1 Adverse Opinion

The audit of the financial statements of the Sri Lanka Handicrafts Board for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement and notes to financial statements for the year then ended 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, the Finance Act, No. 38 of 1971, and Section 64(3) of the National Crafts Council And Allied Institutions Act, No. 35 of 1982. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, because of the significance of the matters described in paragraph Basis for Adverse Opinion of this report, the financial statements do not give a true and fair view of the financial position of the Sri Lanka Handicrafts Board as at 31 December 2019 and its financial performance for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Adverse Opinion

Based on the matters described in paragraph 1.5 of this report, I do not express a true and fair view.

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 this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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 determine 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 intends 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 Board.

1.4 Scope of the Audit

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 skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit 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.
- 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 the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's 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 Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the 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 Board, 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 its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements section

1.5.1 Internal Control over the Preparation of Financial Statements

The Board is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Audit observations with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. have been shown under the following headings.

1.5.2 Non-compliances with Sri Lanka Accounting Standards

Audit Observation	Comment of the Management	Recommendation
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As per Section 110 of the Accounting Standard relating to the presentation of financial statements, adjustments should be made to the opening balance of the Retained Earnings Account when the accounting errors are retrospectively adjusted in terms of Sri Lanka Accounting Standard 08. However, the	The statement of changes in equity will be prepared for the financial statements of the ensuing years as pointed out.	Action should be taken in accordance with this Standard.

statement of changes in equity of the Board had been prepared as at 31 December 2019 without adjusting the errors of the preceding year relating to a value of Rs. 54,488,789 to the opening balance of the Retained Earnings Account; instead, the said errors had been adjusted in a separate column as adjustments of the preceding years.

1.5.3 Accounting Policies

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
Of the trade debtors' balance pertaining to the Board totaling Rs. 22,597,699 as at 31 December 2019, a sum of Rs. 9,578,372 had been allocated on doubtful debts. The accounting policy followed in making allocations on doubtful debts had not been disclosed in the financial statements.	The method of allocation is shown in the sub-notes of the notes relating to the adjustments for doubtful debts.	The accounting policy should be disclosed in the financial statements.

1.5.4 Accounting Deficiencies

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
(a) According to the financial statements of the Board as at 31 December 2019 (Note 09), the value of stocks totaled Rs. 637,430,580. The value of stocks amounted to Rs. 514,227,827 in accordance with the reports of the physical	The reasons attributable to this difference included : existence of damaged stocks that could not be sold, shortage of stocks as at 31 December 2019 valued at Rs. 1,687,360, and shortage of stocks existed in the Suspense Account. Those shortages are the balances being brought forward over many years.	Action should be taken to show the correct stock in the financial statements.

Board of Survey presented to the Audit as at that date; accordingly, the value of stocks had been overstated by a sum of Rs. 123,202,753 as per the financial statements.

- (b) A balance of Rs. 51,414 was shown in the pass book of a current account maintained by the Board at a Government bank as at 31 December 2019, whereas the bank balance amounted to Rs. 175,690 in the bank statement as at that date. Bank reconciliation statement had not been prepared and presented to the Audit with respect to this current account for the year 2019.
- The letter of the bank on the confirmation of balances is erroneous. A letter of confirmation of balances will be obtained again and presented to the Audit.
- Reconciliation statements should be prepared with respect to all the bank current accounts and presented to the Audit.
- (c) According to the financial statements of the Board as at 31 December 2019, the value of 04 items of fixed assets of the Board totaled Rs. 226,835,528. However, the same amounted to Rs. 99,793,054 as per the schedules of the assets. As such, a difference totaling Rs. 127,042,474 was observed.
- The balances that had existed were not eliminated when the SAP system was removed. When the Register of assets had been prepared in the year 2018, a value had been given for the assets fully depreciated, and hence the difference.
- Schedules for assets should be correctly prepared and presented for all the assets belonging to the Board.
- (d) According to the schedule presented to the Audit Division by the Board, a sum of Rs. 36,241,797 had been
- Two creditors' accounts are maintained under the SAP system. As the old transactions had been brought to those accounts as "JE", such
- Action should be taken to correct the creditor balance in the financial statements.

shown in the financial statements as the total of indirect creditors as at 31 December 2019. Nevertheless, a debit balance of Rs. 3,616,379 had been included therein as other creditors. Accordingly, the actual creditors had been understated by Rs. 3,616,379 in the financial statements.

transactions can not be identified. The debit and credit balances between two accounts have been separately shown by us under the same category of account.

- (e) An overdraft balance of Rs. 233,662 pertaining to a current account of the Board had been shown in the financial statements as at 31 December 2019. As the balance of the said current account wherein transactions had been performed based on Dollars, was erroneously converted into LKR, the year end balance was understated by Rs. 237,897 in the financial statements.

The error occurred during the conversion of foreign currency into LKR, will be rectified in the year 2020.

The balance of this current account should be computed correctly and shown in the financial statements.

- (f) According to the outstanding tax report presented by the Department of Inland Revenue as at 31 December 2019, the value of the Nation Building Tax (NBT) payable by the Board totaled Rs. 26,498,593. The said value of tax payable amounted to Rs. 11,602,282 as per the financial statements of the Board as at that date.

The Board does not possess old records on taxes. Balances were adjusted based on the values provided by the Department of Inland Revenue for the preceding years. Taxes have been computed in line with our actual income. Information on the manner in which the old values had been computed, is not available.

The financial statements should be corrected in accordance with tax reports of the Department of Inland Revenue.

As such, the value of tax payable had been understated by a sum of Rs. 14,896,311 in the financial statements.

- (g) According to the outstanding tax report presented by the Department of Inland Revenue as at 31 December 2019, the value of the Value Added Tax (VAT) payable by the Board totaled Rs. 3,858,970. The said value of tax payable amounted to Rs. 2,108,828 as per the accounts of the Board as at that date. As such, the value of Value Added Tax payable had been understated by a sum of Rs. 1,750,142 in the accounts.
- According to our system, we believe that the balance of tax is correct.
- The financial statements should be corrected in accordance with tax reports of the Department of Inland Revenue.
- (h) According to the outstanding tax report presented by the Department of Inland Revenue as at 31 December 2019, the value of the Income Tax payable by the Board totaled Rs. 20,811,536. The said value of tax payable amounted to Rs. 25,459,280 as per the financial statements of the Board as at that date. As such, the value of Income Tax payable had been overstated by a sum of Rs. 4,647,744 in the accounts.
- The Board does not possess files containing information on the past for the confirmation of tax balances. Adjustments had been made to the tax balance of the Board even in the preceding year based on the confirmation of balances provided by the Department of Inland Revenue.
- The financial statements should be corrected in accordance with tax reports of the Department of Inland Revenue.

- (i) The Board uses two computer software named SAP and POS for accounting purposes. In order to facilitate exchange of data between those two systems, a large number of journal notes are automatically brought to accounts daily. Those transactions recorded with no human intervention whatsoever, update the cash book through the journal notes as well. According to a test check, debits and credits totaling Rs. 8,115,546, and Rs. 42,776,136 had been brought to accounts in the cash book during the months of November and December 2019. However, due to non-availability of journal vouchers and documentary evidence in that connection, the accuracy thereof could not be examined.
- The “JE” is brought to accounts daily in order to exchange data between the SAP and POS systems automatically. Measures should be taken for improving the systems.

1.5.5 Non-reconciled Control Accounts or Reports

Item	Value as per Financial Statements	Value as per Corresponding Reports	Difference	Comment of the Management	Recommendation
	Rs.	Rs.	Rs.		
(a) Sale of Credit Cards.	21,584,455	20,150,754	1,433,701	This situation is beyond our control. The relevant cashiers have been instructed in this connection.	Data should be input into the system in accordance with instructions.

(b)	Loan obtained from the Regional Development Bank.	158,726,932	162,109,399	3,382,467	Not replied.	Should be examined and necessary corrections should be made.
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1.5.6 Lack of Documentary Evidence for Audit

	Item	Amount	Audit Evidence not Made Available	Comment of the Management	Recommendation
		Rs.			
(a)	Balances of trade debtors.	13,019,327	Confirmation of balances.	Although we sent letters requesting for confirmation of balances, no replies were given.	Evidence should be furnished for audit.
(b)	Credit cards receivable.	26,151,430	Documentary evidence for journal notes.	The information in our possession has been made available.	Evidence should be furnished for audit.
(c)	Unsettled advances.	22,511,554	Schedules of advances.	90 per cent of this value comprises advances that can not be identified individually.	Evidence should be furnished for audit.
(d)	Retention monies.	12,502,564	The relevant documentary evidence.	The value brought forward from the years prior to 2011 can not be identified.	Evidence should be furnished for audit.
(e)	Rents receivable.	1,133,557	Documentary Evidence required for examination.	We have no information whatsoever on this balance pertaining to the years prior to 2011.	Evidence should be furnished for audit.
(f)	Accrued expenses.	6,792,561	Documentary Evidence required for examination.	The information that we were able to furnish has been made available. The age analysis on the commission payable can not be provided.	Evidence should be furnished for audit.
(g)	Work in progress.	21,767,652	Documentary Evidence required for examination.	Those balances continue to exist over some time.	Evidence should be furnished for audit.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

Audit Observation	Comment of the Management	Recommendation
The debtor balances of the Board totaled Rs. 22,597,699 as at 31 December 2019. Of that, a sum of Rs. 9,144,104 was less than 01 year, whilst a sum totaling Rs. 2,968,210 pertained to a period of 01 – 02 years and a total of Rs. 846,282 continued to exist between the 02 – 03 years whereas a sum totaling Rs. 9,639,103 pertained to periods over 03 years. No action had been taken to settle the loan balances older than 03 years.	There exists no documentary evidence whatsoever that the monies relating to the older balances included in that debtor balance, have been received by us.	Action should be taken to inspect and settle those old balances.

1.6.2 Accounts Payable

Audit Observation	Comment of the Management	Recommendation
Of the trade creditors totaling Rs. 338,037,482 payable as at the end of the year under review, the total of the balances less than 01 year amounted to Rs. 141,489,979; the total of the balance relating to periods of 01 – 02 years amounted to Rs. 46,122,547; the total of the balances relating to periods of 02 – 03 years amounted to Rs. 32,898,743; and, the value of balances older than 03 or more years totaled Rs. 117,526,212. No action had been taken to settle those loan balances in arrears.	This creditor balance pertain to normal purchases, and purchases made on the basis of paying after sales. Payments will be made based on the trend in the sales of those stocks, and the financial position of the institution.	Action should be taken to inspect and settle those old balances.

1.7 Non-compliances with Laws, Rules, Regulations, and Management Decisions

Reference to Law, Rules, and Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Democratic Socialist Republic of Sri Lanka;			
(i) Financial Regulation 138.	When payments totaling Rs. 3,427,952 had been made using 08 vouchers in the first quarter of the year 2019, the original copies of the documents verifying the payments, had not been made available.	No invoices had been given with respect to some of those payments made based on the agreements.	This Financial Regulation should be followed.
(ii) Financial Regulation 264.	When payments totaling Rs. 3,119,438 had been made using 05 vouchers during the two months of April and May 2019, receipts had not been obtained from the payee that the payments had been received contrary to this Financial Regulation.	The receipts relating to the payment of loan installments have not been provided for us.	This Financial Regulation should be followed.
(iii) Financial Regulation 751.	All the goods should be recorded in the inventory in terms of this Financial Regulation. However, the inventory items purchased by making a payment of Rs. 574,649 using 07 vouchers during April and May 2019, had not been recorded in the registry.	Instructions have been given not to repeat this situation in the future.	This Financial Regulation should be followed.
(b) Section 21 (I) of Chapter III of the Value Added Tax Act, No. 14 of 2002.	Tax returns on the Value Added Tax relating to every tax period should be presented to the Department of Inland Revenue. However, tax returns on a sum totaling Rs. 583,463 paid to institutions from which goods and services had been obtained during the first	A large amount is due to the Department of Inland Revenue by the Board. As such, the tax files remain dormant.	Instructions of the Department of Inland Revenue should be followed.

quarter of the year 2019, had not been furnished to the Department of Inland Revenue.

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| (c) | Circular, No. 03/2015 dated 14 July 2015. | A sum totaling Rs. 497,047 had been given as advances in 02 instances during march 2019 in excess of the limit of Rs. 100,000 imposed on "ad hoc" Sub-Imprests as mentioned in the Circular. | Instructions have been given to grant such advances under control in the future. | The said Circular should be followed. |
| (d) | Public Enterprises Circular, No. PED/12, dated 02 June 2003. | | | |
| (i) | Section 9.3.1 | According to this Circular, every institution should have a Scheme of Recruitment and Promotion. However, such a Scheme had been prepared and approved only for 02 posts in the approved cadre of 201 of the Board. | Requests have been made to approve the Scheme of Recruitment. | The said Circular should be followed. |
| (ii) | Sections 9.3.1 (vi) and (vii). | According to those Sections, acting appointments could be made only for a maximum period of 03 months. However, acting appointments had been made for 05 main posts of the Board from the years 2015, and 2018 until November 2020. | Once the Scheme of Recruitment is approved, action will be taken to make recruitments properly. | The said Circular should be followed. |
| (iii) | 9.14.1 and 9.14.2 | Contrary to this Circular, Procedural Rules had not been prepared and approval of the Secretary of the Treasury had not been obtained thereon. | Those activities have temporarily been suspended owing to the financial difficulties of the Board. | The said Circular should be followed. |

2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a pre –tax profit of Rs. 99,047,789 as compared to the corresponding pre-tax profit of Rs. 21,590,614 for the preceding year, thus observing an improvement of Rs. 77,457,175 in the financial result. The receipt of Rs. 150,000,000 from the Treasury following the hand over of “*Ape Gama*” premises, had mainly attributed to the said improvement. The review of the result from the operating activities of the Board revealed that the revenue of the year under review had decreased by a sum of Rs. 119,986,688 whereas the financial cost had increased by a sum of Rs. 23,299,157.

3. Operating Review

3.1 Uneconomic Transactions

Audit Observation	Comment of the Management	Recommendation
a) Renovation works on the Laksala building, Fort owned by the Board had been abandoned halfway since the year 2014. Only a space of 1500 square feet of this four-storied building with a total space of about 44,000 square feet, had been made use of by the year 2019. As the renovation of this building with a higher economic value, had been abandoned, the building had fallen into a state of dilapidation, thereby depriving the Board of a higher income that would have been earned annually. Furthermore, as per the report furnished by ICTAD, a sum of Rs. 30 million remained receivable from a private institution. The management of the Board had not taken action to recover that sum.	Although the Board faces financial difficulties at present, action is being taken in this connection. Furthermore, measures are taken to recover the monies receivable as per the report furnished by ICTAD.	Matters pertaining to this building should be looked into thus taking protective measures. The monies receivable should be recovered.

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| <p>b) Due to failure of the Board to pay the Assessment Tax to the Colombo Municipal Council and the Department of Municipal Treasury on time with respect to the Laksala outlets in Fort and Thummulla, payment of warrant fees totalling Rs. 2,121,196 had been demanded. Those monies were observed to be an uneconomic expenditure.</p> | <p>Regulatory action is being taken in this regard. Action was taken to pay the Assessment Tax in the years 2019 and 2020.</p> | <p>Action should be taken to properly pay the Assessment Tax.</p> |
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3.2 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>a) Due to lapse of the contract period of the post of Chief Executive Officer / Director General of the Board, and the retirement of the Chief Internal Auditor, those posts remained vacant since February 2020. As the vacancies had not been filled up to the date of audit in November 2020, the Internal Audit Unit remained non-functional. As such, the extensive delays in the main operations and decision making process of the Board, had caused an adverse impact on the existence of the Board.</p>	<p>Action is being taken to make recruitments to those posts.</p>	<p>Action should be taken to fill those main posts.</p>
<p>b) According to the Lease Agreement, No 374 entered into by the Board with the Urban Development Authority, a sum totalling Rs. 1,224,277 remained payable by the Board to the Authority as at 31 December 2019. Given that the</p>	<p>It is informed that action will be taken from the year 2020 to make payments.</p>	<p>Action should be taken in accordance with the reply.</p>

management of the Board had defaulted on the payment of taxes annually, and the Board faced financial difficulties at present, the management had been unable to settle the monies payable even in the years 2019 and 2020.

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| <p>c) The Board had failed to pay the Assessment Tax payable on the Laksala outlets in Fort and Thummulla, to the Colombo Municipal Council and Department of Municipal Treasury in a timely manner. The amount payable including the warrant fees on the Assessment Tax defaulted by the management due to inefficiencies, totaled Rs. 12,756,777.</p> | <p>Action will be taken for the payment as soon as the existing financial difficulties are solved.</p> | <p>The matter should be looked into and discussed.</p> |
| <p>d) The Board uses SAP software for accounting and book keeping purposes whilst the POS software is used to manage daily sales. Although such software has been in use over extensive periods, the service agreements with the parent companies of the software had not been updated. Due to failure in doing so, new and updated versions of the software could not be obtained. Data of the Board had been kept in backups, but such backups could not be restored in an emergency. As such, the data of the Board faced risks.</p> | <p>The failure in updating the service agreement due to financial difficulties of the Board gave rise to this situation.</p> | <p>The matter should be looked into and necessary action should be taken promptly.</p> |

- e) Due to drop of the arrival of tourists in the aftermath of Easter attack in the year 2019, the sales income of the Board had decreased by Rs. 119,986,688 in the year 2019 as against the year 2018. Nevertheless, the value of bank loans payable had increased by Rs. 127,797,557 in the year 2019 as compared with the year 2018. Following the decline in the sales income owing to the decrease in the number of tourists as at the date of audit on 31 December 2019 due to Covid-19 outbreak, only 04 of the 12 showrooms had been opened with 08 showrooms closed. As such, due to lack of income to be spent on salaries and daily expenses, the Treasury had been requested for financial assistance to meet the daily expenses. Due to speedy decline in sales, the Board faced severe financial difficulties.
- With pricing strategies, specific items had been priced by the Board targeting the foreign tourists. However, various measures had been taken for attracting the locals as well. Operations and income of the Board had collapsed due to bomb attack carried out by Saharan and the Covid-19 outbreak. Loans could not be settled due to decline in the income during 2019, thus the loans had to be restructured, and hence, the interest and installments of loans had increased. Nevertheless, action is being taken to implement new strategies under proper guidance with effect from the year 2021.
- Attention should be drawn urgently on this situation, thus providing short term and long term solutions for the financial crisis of the Board.
- f) The other payable balance shown in the financial statements of the Board as at 31 December 2019, included a balance of Rs. 25,467,530 being brought forward from the year 2012 and balances totalling Rs. 6,571,317 continued to exist from the years prior to 2014. The management had not taken action to make necessary adjustments in case there had been no liability for settlement of those older loan balances.
- No information whatsoever on those older values could be found by us.
- The management should take action to make necessary adjustments in case there had been no liability for settlement of those older loan balances.

3.3 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
The approved cadre of the Board was 201 and the actual cadre was 130; as such, 71 vacancies existed in the approved cadre as at 31 December 2019. There were 20 posts of the senior level in the approved cadre, and of them, 11 posts remained vacant.	Once the Scheme of Recruitment is approved, action will be taken for making recruitments.	Action should be taken in accordance with the reply.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Management	Recommendation
a) Six, 05, 05, 06, 04 and 05 objectives had been set for the Sales Division, Human Resources and Administrative Division, Finance Division, Information Technology Division, Internal Audit Division, and Supply Chain Division respectively in the Action Plan prepared for the year 2019. However, due to failure in preparing performance reports in accordance with the plans, the progress in achieving the relevant objectives could not be examined.	Instructions have been given to prepare and present the performance reports as pointed out in your report.	The performance report should be prepared in a manner that it can be evaluated in accordance with the plans.
b) The targets to be achieved by the Board within the year and the estimated financial provision thereon had not been mentioned with respect to the objectives shown in the Action Plan prepared by the Board for the year 2019. Hence, the physical and financial progress	Physical progress of qualitative targets could be measured but it is not so with the financial progress.	The Action Plan should be prepared by including the estimated financial provision.

could not be evaluated in comparison with the performance report at the end of the year.

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| c) Action had not been taken to achieve 15 objectives that had been included in the Action Plan prepared by the Board for the year 2019, within the specified duration. | Those objectives could not be achieved due to reasons such as, lack of financial provision, and decrease in income. | Action Plans for the ensuing years should be prepared based on the financial capabilities of the Board. |
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4.2 Budgetary Control

Audit Observation	Comment of the Management	Recommendation
According to the financial statement of the Board as at 31 December 2019, a sum totalling Rs. 11,044,024 had been incurred on expenses relating to 16 Objects in excess of the budgeted estimate. As such, the actual variation of expenses incurred in excess of the estimated amount with respect to 16 Objects during the year under review, ranged between 0.04 per cent and 61.25 per cent.	A budget was prepared for the year 2019 and approval of the Board of Directors was obtained as well. However, income dropped following the attack of Saharan, and a revised budget was prepared, but approval of the Board of Directors could not be obtained thereon. According to the revised budget, no expenses had been incurred in excess of the estimates.	Action should be taken to control the expenses of the Board within the limit approved in the budget.