

Sri Lanka Export Development Board - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Export Development Board for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policy 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 provisions of the National Audit Act No. 19 of 2018 and 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 2024, 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 on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 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 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 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 Audit Scope

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 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

Non-Compliance reference to Standard	with the Management Comment to particular	Recommendation
(a) According to the paragraph 42 of Sri Lanka Accounting standard No. 08, the comparative information of reclassified investment in shares and trade debtors valued Rs.49,250,000 had not been restated in the financial statements, when correcting classification error which occurred in previous years.	The amount of Rs 49,250,000 invested in Pico International (Pvt) Limited impairment provision of a similar amount, taken out from the investment in shares note and reported under Trade and Other Receivables, to rectify the initial classification, as pointed out by last year audit.	Action should be taken to correct prior period errors by restating the balances as per the Accounting Standards.
(b) According to the paragraphs 51 and 79 of LKAS 16, although the residual value and the useful life of an assets shall be reviewed and accounted annually. However, 3813 no of property, plant and equipment items which were fully depreciated and still in use had not been assessed or accounted.	Agreed. Will disclose.	Assets which were fully depreciated and still in use should be annually reviewed and accounted as per the Accounting Standards.

1.5.2 Accounting Policies

Audit Issue	Management Comment	Recommendation
The accounting policies adopted for the recognition of income from exporters' contribution on development activities, International Finance Corporation (IFC) fund and seminar and course fees had not been disclosed in the financial statements as per the paragraph 35 of LKAS 18.	Agreed. This accounting treatment will be included in the chapter of specific accounting policies of the Financial Statement of the Board.	All accounting policies adopted should be disclosed as per the Accounting Standards.

1.5.3 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) The market price of 1,413,772 No. of shares of a private company in which the Board had invested a sum of Rs.13,150,000 had been shown in the financial statements as Rs.158,639,356 as at 31 December 2024 which was the market value of the shares as at 31 December 2022. However it was not confirmed to the audit that the market value as at 31 December 2024 was same as the market value as at 31 December 2022 and the accuracy of the base of calculation of market value of shares.	(a)market value of the company could not be derived through the market value of a similar listed company. The share valuation will be done in accordance with the LKAs 36, Impairment of assets. The share investments made in Non-quoted companies will be carried at cost model. This accounting treatment will be included in the chapter of specific accounting policies of financial statement of the Board.	The market value of the shares should be calculated by using a acceptable method.
(b) Income for the year under review, had been overstated by Rs.16,593,561 due to identifying the income of International Finance Corporation Fund amounting to Rs.2,506,145 related to next year as the income for the year under review and recording of Rs.14,087,416 under both exporters contribution on	Accepted. We will rectify this accounting error, Rs. 2,506,145 from IFC income and Rs. 14,087,416 from exporters' contribution income account with respective development expenditure accounts. The net effect is nil to net surplus for the year 2024.	The income related to the accounting year should be accurately shown in the financial statements.

development activities income and IFC Fund income.

- (c) The overseas trade fair expenses and trade information and service expenses had been overstated by Rs.9,400,597 and Rs.2,506,145 respectively. As a result, the export development expenses for the year under review had been overstated by Rs.11,906,742. Accepted. We will rectify this accounting error, Rs.2,506,145 from IFC income and Rs. 9,400,597 from exporters' contribution income account with respective development expenditure account. The expenses related to the accounting year should be accurately shown in the financial statements.
- (d) As per the ledger, the exporters contribution for biofach trade fair was Rs.24,926,297 and as per the schedule it was Rs.25,825,297. Accordingly a difference of Rs.899,000 was observed between two balances. Accepted. It was assumed that forecast amount in 2023 will not be increased in 2024 there for the balance was carried forward. Balances as per ledger accounts and related schedules should be reconciled .

1.5.4 Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidence not available	Management Comment	Recommendation
(a) Investments in shares	34,581,905	share certificates	Agreed. We have identified this situation and as per the instruction by the audit committee, internal auditor has started the investigations regarding on the matter.	Relevant documentary evidences should be kept for every transaction and presented to the audit
(b) Impairment of share investment	34,423,710	share certificates	After receiving the opinion of the audit committee, EDB willing to take the approval from the treasury for necessary action.	

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
(a) The amount receivable from 146 exporters which were a sum of Rs36,788,520 out of Rs.37,984,520, export credits given by the Board to the	EDB Officers have personally visited address of these companies to verify their existence and written to Divisional Secretaries and	Prompt action should be taken to recover the export credit balances.

exporters as at 31 December of the year under review. Accordingly a 97 per cent of that amount had not been recovered over a period of 26 years.

Grama Nilitaries to find these companies and filed Legal Action against existing loan defaulting companies to recover the outstanding balance.

EDB has written to the Treasury by letter dated 08 March 2023 seeking approval to write off the Loans.

- (b) The Board had failed to recover the loan balance of Rs.10,403,683 given to farmers under the Uva Paranagama Export Production Villages (UPEPV) Programme over a period of 15 years.
- EDB collected the sales revenue from the export companies and remitted the loan installments to be paid to the Treasury, payments for the growers for the products provided, and necessary funds for administrative and other expenses to the company. To record these transactions, a control account was maintained of final debit balance remains at Rs. 10,403,683.
- Prompt action should be taken to find the reasons for the remaining the balance and act accordingly.
- (c) The Board had been failed to recover a sum of Rs.8,131,218 from other debtors over a period over 15 years.
- One company has written to the EDB offering 20% of shares from the company for the investment made by the EDB as a grant as well as loans and EDB has filed three cases in the court to recover the debts amount from 3 companies.
- Prompt action should be taken to recover the balances from the debtors.
- (d) The Board had not been recovered deposits amounting to Rs.901,000 made to obtain services from 07 institutions over a period from 08 years to 26 years.
- Not replied
- Prompt action should be taken to recover the deposits made to obtain services.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 2(1) and 102 of the Inland Revenue Act No. 24 of 2017	The Board had not taken steps either to register for income tax or to obtain tax-exempt status.	Not replied	Action should be taken either to register or to obtain tax exemption.
(b) Paragraph 6.1 of the chapter VIII of Establishment Code of Democratic Socialist Republic of Sri Lanka	Although the approved overtime payment rate is 1/240 of the basic salary per hour, the Board had applied a rate of 1/120 of the basic salary without the approval of the Treasury, and paid Rs.7,590,234 as overtime and holiday payments during the year under review.	Accepted. At present we paid overtime based on DMS circular 1/2025 dated 25/03/2025.	The approval should be taken from the Treasury for over payment of overtime.
(c) Public Enterprise Circular No. 01/2015 dated 25 May 2015	The Board had paid transport allowance totalling Rs.15,545,690 during the year under review to 166 employees under PL, MA and JM service categories who are not eligible for transport allowance.	Noted, EDB paying transport allowance for employee categories of JM, MA, and PL from year 1988 based on the board approvals. The actions have been implemented to get the approval from the treasury .	Transport allowances should be paid only for the employees who are eligible as per the public Enterprises circular.

<p>(d) Paragraph 03 of the letter numbered TO/CFM/2023/Miscellaneous dated 30 December 2024 issued by the Treasury Operations Department</p>	<p>Although funds are released by the Treasury, if the expected work is not completed during the year, or if there is any unutilized balance after completing the relevant work, such funds should be returned to the Treasury before the end of the financial year. However, a sum of Rs.27,077,846 received but not utilized during the year had been transferred to other grants and retained.</p>	<p>This fund utilized to pay for the required advanced payment of the trade fairs which are to be held in 2025.</p>	<p>Funds granted by treasury should be utilized economically and unutilized funds should be returned to the Treasury.</p>
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2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.71,711,399 and the corresponding surplus in the preceding year amounted to Rs.77,657,726. Therefore, a deterioration amounting to Rs.5,946,327 of the financial result was observed. The main reason for the deterioration is decrease of share profit of associate company by Rs.18,545,952 and increase of export development expenses by Rs.153,721,485 although there is an increase in income by Rs.190,504,483.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>The Board had failed to withdraw the investments amounting to Rs.5,614,330 in ordinary shares and Rs.34,602,698 in preference shares made in 26 companies due to unavailability of the evidences of existence in connection with the companies which the Board</p>	<p>Agreed. We have identified this situation and as per the instruction by the audit committee, internal auditor has started the investigations regarding on the matter. After receiving the opinion, EDB has willing to take the approval from the treasury for necessary action.</p>	<p>The follow up procedures in connection with the existence of the companies in which the Board had invested should be carried out in order to take effective and efficient investment decisions.</p>

had invested in. According to the confirmation received from Department Registrar of Companies, these 26 companies are not in list of companies.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>The Board had granted a sum of Rs. 231,424,708 to 103 business organizations under Market Access Support Programme during the period of 2018 to 2022. Out of that, 29 business organizations which were granted Rs.72,479,504 was not confirmed to the audit, that had being engaged in exports during that period. Further 05 organizations which were granted Rs.9,674,300 and 05 organizations which were granted Rs. 1,796,531 had engaged in export activities respectively only 01 year and only 02 years. The Board had not taken continuous follow up actions after the completion of the program in December 2022.</p>	<p>While the scheme successfully achieved its overall KPIs, several companies identified were unable to meet expectations due to unforeseen challenges faced during the project implementation period. However, some of them are exports indirectly and a couple of companies are service exporters where export do not record in SL Customs statistics.</p>	<p>The Board should be taken adequate follow up procedure to evaluate the progress.</p>

3.3 Transaction of Contentious Nature

Audit Issue	Management Comment	Recommendation
<p>(a) Although the requested approval had not been granted from the Department of Public Enterprises, the staff loan scheme consisted with four categories of loans with an interest rate of 4.2 percent is being implemented under the approval of the board of directors since the year 1985.</p>	<p>Agreed. EDB has continued the scheme till 2005. The Scheme was stopped since December 2005 as the Treasury has indicated that a separate Circular for all the Boards and Corporations will be issued. EDB has sent several letter to the Treasury and no response received. Thereafter EDB sought advice of the Secretary Ministry of Export</p>	<p>The approval from the Department of Public Enterprises for the staff Loan scheme with concessionary interest rate should be taken.</p>

Development and International Trade in March 2007 and he has given the concurrence to continue the housing Loan. Based on the letter of the Secretary the EDB board has granted approval to continue the Loan. EDB has submitted the Administrative Manual in which the Housing Loan Scheme is part for the approval of the Department of Public Enterprise on 30 May 2018 .

- (b) The Board had gifted half sovereign gold coin to the 03 employees who have completed 25 years in a permanent post at their retirement or resignation from the service and the Board had incurred a sum of Rs. 342,844 during the year under review for the same without the approval of the Department of Public Enterprises.
- Although Board of directors have approved to gift a sovereign for a person completed 25 years of service, the operation of the same is withheld from January 2025 till EDB get the approval from the DMS.
- The approval from the Department of Public Enterprises for the gifting a sovereign for the staff should be taken.