

Ceylon Fishery Harbours Corporation - 2016

The audit of financial statements of the Ceylon Fishery Harbours Corporation for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income and expenditure, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 29 of the State Industrial Corporations Act, No.49 of 1957. My comments and observations which I consider should be published with the Annual Report of the Corporation 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 Public Sector 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).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report I am unable to determine whether any adjustments might have been found necessary in respect of the recorded or unrecorded items and elements making up the statement of financial position, statement of comprehensive income and expenditure and statement of changes in equity and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on the financial statements.

2.2.1 Sri Lanka Public Sector Accounting Standards

The following non – compliances were observed during the course of audit.

(a) Sri Lanka Public Sector Accounting Standard 02

- (i) The receipt of capital grants and the ministry grants amounting to Rs.145,000,000 and Rs.7,298,213 respectively in the year under review had been shown under the cash flow from Investment Activities in the cash flow statement instead of being shown under the cash flow from Financial Activities.
- (ii) Even though the value of purchased fixed assets during the year under review were Rs.27,439,483, that value had been shown as Rs.42,626,212 under the cash flow from Investment Activities and as a result of it, the cash outflow had been overstated by Rs.15,186,729 .It was observed during the course of audit that, this amount of money related to the assets which had been acquired without spending money.
- (iii) Even though the gratuity expenses relating to the year under review was amounting to Rs.21,996,817 , and it had been shown as amounting of Rs.21,575,359 under the cash flow from Operating Activities in the cash flow statement .As such , the cash flow from Operating Activities had been understated by Rs.421,458 this had been adjusted to the trade payables under the working capital changes.

(b) Sri Lanka Public Sector Accounting Standard 07

When there are no considerable changes in the fair value of an asset, it is sufficient for the asset to be revalued once in 03 years or 05 years. Nevertheless, the corporation had not revalued the assets after the year 2007.

2.2.2 Accounting Policies

Following observations are made.

- (a) The accounting policies followed by the Corporation for the accounting of the Government Grants and for adjusting the amortization had not been disclosed in the financial statements.
- (b) In accordance with section 68 of Sri Lanka Public Sector Accounting Standard No.07 , the depreciation of the assets should be commenced from the date on which it was brought ready for usable status , contradictory to it , the corporation had adopted a policy for charging full depreciation in year of purchase of the asset and not depreciating in the year of its sale.

- (c) Even though the annual depreciation rates should be decided on the useful life time of the assets, the corporation had been made 10 per cent depreciation provision for the computers and accessories which rapidly becomes obsolete on the technical reasons.
- (d) Even though the accounting of doubtful debtors' provision had been disclosed in the Financial Statements, the method of allocating the amount of doubtful debt provision from the debtors had not been included in the policy. However, a provision of Rs.11, 008,838 had been made for doubtful debts in the year under review.

2.2.3 Accounting Deficiencies.

 Following observations are made.

- (a) Provisions of Financial Statements had not been made for the surcharges of Rs.5,110,189 due to Employees' Trust Fund Board arisen as the non - payment of contribution money on cost of Living Allowance from January 2006 to July 2013.
- (b) The order had been made in 2016 year for the Rs.28 millions worth machine and the amount of Rs.8,800,000 from it had been shown under the non – current assets with crediting to the Expenses Payable Account in the year under review. Hence , the payable expenses had been increased from that amount , and the loss of the year under review had been increased from Rs.880,000 and the net value of fixed assets had been overstated by Rs.7,920,000.
- (c) By using the funds of Department of Fisheries and Aquatic Resources with the value of Rs.7,169,938, ten containers office rooms had been established in the harbors ' premises for the usage for department's staff. Even though the ownership had not being vested to the corporation, that value had been shown under the non – current assets with allocating Rs.1,433,988 for the depreciation.
- (d) In the financial statements , the depreciation values for beacon lamps which were purchased on 2015 and 2012 years had been understated by Rs.217,000 and as such the net value of fixed assets had been overstated by that amount.
- (e) Even though the computer software should be shown as an Intangible Asset, it had been shown under the Advance account of current assets.

2.2.4 Unexplained Differences.

 The following observations are made.

- (a) A difference of Rs.7, 968,739 existed between the physical fuel stock and the books values of the 22 fishery harbors as at 31 December 2016 and the reasons for the differences had not been presented to the audit.
- (b) A difference of Rs.253, 101 existed between the Financial Statements and the Ledger Accounts relating to the total expenses of the 03 fishery harbors of the year under review.

- (c) A difference of Rs.15,901,732 existed between the Bank balance of 03 Current Accounts according to the Financial statements for the end of the year under review and the balances shown in the cash books.

2.2.5 Lack of Evidence for Audit

The evidence indicated against the following items of account had not been furnished for audit. As such those accounts could not be satisfactory vouched or accepted in audit.

Item	Value	Evidence not made available
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	Rs.	
Fixed Assets	5,008,512,962	Fixed Assets Register , Reports of the Board of Survey
Unidentified Receipts	2,215,769	} Detailed Schedules
Deposits	6,335,900	
Deferred Liabilities	1,653,400	
Balance to be Written – off	81,769,596	
Work-in Progress	24,572,784	
Debtors Balance	350,780,522	} Age Analysis , Balance Confirmations
Withholding Tax	2,526,034	
Creditors and Advances	111,954,599	} Age Analysis , Detailed Schedules and the updated registers
Ministry Fund	129,101,563	
JICA Fund	19,992,903	
Ministry Grants	53,812,853	
Dikowita Fishery Harbour Construction Fund	3,143,094	
Dikowita Fund	4,644,670	
Special Advance (Staff loans)	15,287,022	
Value Added Tax (VAT) Receivable	23,498,619	
Value Added Tax receivables (VAT) on income from Sand	10,434,783	
Adhoc sub-imprest	16,343,630	
Prepayments	36,721,143	

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Even though the value of Rs.269,960 had been shown as the receivable amount from government institution for the Sand Dredging project on 2013 and 2014 years , that government institution had informed via the letter No W1/c/2013/43 on 02 March 2015 that this value had been already settled. But further that balance had been shown in the Financial Statements.

- (b) Even though the Control Accounts should be settled at the end of the year, actions had not been taken to settle a receivable amount of Rs.2,459,127 relating to the water, electricity and telephone expenses paid by the harbors from the year 2013.
- (c) The receivable rent income balance of Rs.83,475,810 as at the last date of the year under review included balances older than 5 years amounting to Rs.4,908,918, the balance old between 02 to 05 years of Rs.5,983,577, the due balance between 01 to 02 years of Rs.27,615,222 and the due balance for the year under review was Rs.44,968,093.
- (d) The total receivable amount of Rs.36,487,442 of the year under review on the supply of security services to the line ministry and other government institutions of which Rs.10,323,806 had been older than 05 years and Rs.10,323,806 had been between 01 to 05 years and Rs.15,020,637 had been less than 01 year which the recovering activities had been in sluggish level.
- (e) Action had not been taken even during the year under review for the settlement of the Economic Service Charges Tax amounting to Rs.10,512,971 existing over 05 years.
- (f) A sum of Rs.1,056,700 of ad-hoc sub imprest had been given to the 15 employees in the year 2016 and Rs.15,287,022 ad-hoc sub imprest balance had been coming from the year 2015 and previous years had not been settled at the end of the year under review.
- (g) The berthing debtors balance of Rs.47,311,629 as at the last date of the year under review included the balances of Mutwal Fishery Harbor, old between 03 to 05 years and older than 05 years amounting to Rs.14,468,415 and Rs.32,843,214 respectively on which no proper action had been taken for settlement.
- (h) Even during the year under review, the corporation had failed to recover the receivable amount from removable of Sunken Vessel at Cod-Bay Fishery harbour Rs.2,150,000 existing over 05 years.
- (i) The action had not been taken by the corporation even during the year under review for the recovery of undue distress loan balance of Rs.1,000,394 from the relevant officers which was existing over a period of 02 years.
- (j) Actions had not been taken even during the year under review for the recovery of Salary advance of Rs.39,873 and travelling expenses advances of Rs.193,159 had been given to the employees in the years 2014 and 2015.

2.4 Non – Compliance with Laws, Rules, Regulations and Management Decisions.

 Instances of non – compliance with the following laws, rules, regulations and management decisions were observed.

**Reference to Laws , Rules , Regulations and
Management Decisions**

Non compliance

(a) Financial Regulations of the Democratic
Socialist Republic of Sri Lanka

(i) Financial Regulation 137(5)

A sum of Rs.470, 470 had been paid in the year 2015 to a private institution for 600 T shirts without confirming the goods had been received.

(ii) Financial Regulation 395 (h)

Even though the bank reconciliation statements should be prepared by the officer who does not involve to deposit the collected cash at banks or does not involved to write the cheques or update the cash books , the maintenance of the cash books and preparation of the bank reconciliations had been done by the same officer at the Harbour Corporation.

(iii) Financial Regulation 396

As per the Financial regulation, the action had not been taken on the non – presented cheques for the payments amounting to Rs.36, 611 existing over a period of six months coming after the date of cheque issued date and valid date of the cheque.

(iv) Financial Regulation 446 (2)

Even though the cash books should be maintained for the cash receipts and payments in accordance with periodic basis , and it should be signed by the supervising officer or mandatory officer with balancing the cash books in daily , as such the corporation had not done.

(v) Financial Regulation 751

Even though an inventory register fund be mentioned in terms and form general 14, updated inventory register had not been maintained for the furniture, office equipment and other equipment valued at Rs.134,136,245. 22 Harbours of the corporation including sub offices of the Head Office

(vi) Financial Regulation 757(2)

The reports of the Board of Survey for the year under review had not been furnished for audit.

(b) Circular No.IAI/2002/02 dated 28 November 2002 of the Treasury. A Register had not been maintained for the computers and accessories valued at Rs.99,705,372

(c) Public Administration Circulars

(i) Circular No.28/2011 dated 12 December 2011 Even though the Rs.15,000 allowance is entitled to the Engineers who belong to the Sri Lanka Engineers' Service , an allowance amounting to Rs.1,065,000 had been paid to 07 Engineers of the Corporation who are belong to the Sri Lanka Engineers' Service. In the year under review without the formal approval and only on the approval of the Board of Directors.

(ii)Circular No.01/2015 dated 25 May 2015

- Without the treasury approval , the transport allowance totaling Rs.1,476,000 to 21 officers at Rs.5,000 per officer and to 12 officers at Rs.1,500 per officer had been paid during the year under review who are not entitled to receive transport allowance.
- Without obtaining the Director Board approval , Managing Director of the corporation had used Rs.401,431 worth 3820 fuel liters exceeding the approved fuel limit from January 2016 to October 2016 and the officers of the Senior Management Level had used the 9746.4 fuel liters with the value of Rs.925,908.

(iii)Circular No.02/2015 dated 25 May 2015

Through the Corporation expenses, the value of Rs.35,395 and Rs.40,000 two mobile phones had been given to the General Manager and to the Managing Director of the Corporation.

(e) Paragraph 2(b) of the Public Finance Circular No.03/2015 dated 14 July 2015.

At one instance , the maximum limit of advance money can be given to the staff officer is Rs.100,000.However without the approval of Treasury the ranging from Rs.100,000 to Rs.280,000 advances had been granted at the 44 events.

- (f) Circular No.PE/2015/04 dated 29 June 2015 of the Commissioner of Elections Even though the recruitment , promotion and transfer of officers and employees should not be done during the period of parliamentary Elections , contrary to that 20 appointments had been made by the corporation during the period of General Elections 2015.
- (g) Paragraph 2.7.5 of 2006 Procurement Manual The worth of Rs.1,815,800 Beacon Lamps had been purchased without joining the representative from the ministry and subject specialized person for the procurement committee.
- (h) Paragraph 9.3.1 VII of the Public Enterprises Circular No.PED/12 of 02 June 2003. Even though the appointment for the acting should be limited for a maximum period of 03 months contrary to such limit 03 officers had been appointed for the acting and totaling Rs.99,416 had been paid as acting salary only during the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented , the financial result of the corporation for the year under review had been a deficit of Rs.31,396,138 as compared with the corresponding deficit of Rs.128,779,340 for the preceding year , thus indicating a decrease of the loss by Rs.97,383,202 in the financial result for the year under review. Despite the increase of administrative expenditure and the staff cost by Rs.10,385,884 and Rs.42,103,239 respectively , increase of the recurrent grant and operating income by Rs.81,067,315 and Rs.71,136,645 had been the main reasons for the decrease of the above loss.

An analysis of the financial results of the year under review and 04 preceding years revealed continuous financial deficits from the year 2012 to the year under review. But that loss had been continuously decreased from Rs.258,826,672 to Rs.31,396,138 .Nevertheless , when the employees remunerations and the depreciation on the non – current assets are re – adjusted, the contribution of Rs.259,109,586 of the corporation in the year 2012 had continuously improved with a positive value and amounted to Rs.813,998,510 in the year under review.

3.2 Analytical Financial Review

The contribution of the Government Grants to the total income of the corporation during the 5 preceding years had increased from 44.36 per cent to 88.66 per cent and the contribution of the self - generated income had decreased from 55.63 per cent to 11.34 per cent.

4. Operating Review

4.1 Performance

The amended major objectives of the Ceylon Fishery Harbors Corporation in accordance with Section 2 of the State Industrial Corporations Act , No.49 of 1957 and the notification published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka dated 06 March 1997 are given below.

- Planning , designing , establishing construction facilities , implementing , control, maintenance and management of Fishery Harbors , Anchorages , Marine Structures and other coastal facilities and determination and recovery of charges for the services supplied there from to the fishermen and other persons.
- The supply of repair and maintenance facilities for fishing craft.
- Establishing , operating and maintenance of cold rooms , ice plants and other cold room facilities and the supply of other services ancillary to the fisheries industry and the fishermen.
- The supply of water, fuel, lubricant, electricity, ice and providing cool facilities for fishery industry and fishermen ancillary to the other services.
- Carrying out the operation, control and supervision of the Identified Economic Zone of Sri Lanka.
- The supply of security service arrangements for the Fishery Harbours , Anchorages, Marine Structures and for other organizations under the Ministry of Fisheries and Aquatic Resources Development and the recovery of charges, rent and other payments for those.

Even though the supply of repair and maintenance facilities for the fishery craft is one of the objectives of the establishment of the corporation, action for the achievement of that objective had not been taken by the Corporation.

4.2. Management Activities

The following observations are made.

- (a) Even though the maximum over draft value can be obtained to the corporation according to the Treasury approval is Rs.25 million , the over draft facilities up to Rs.40 million had been obtained and Rs.2,821,768 had been paid as over draft interests during the year under review.
- (b) According to the agreement entered in to on 23 February 2016 with a Private Company for the leasing of the Vessel Sayuri belonging to the Corporation on hire basis , a sum of Rs.5,200,000 should have been recovered from the lessee company held the vessel in the year under review. Nevertheless, a Sum of Rs.1, 600,000 only had been recovered. Further , action had not been taken even by May 2016 for the recovery from the private company a sum of Rs.5,009,960 inclusive of a sum of Rs.1,409,960 have to be recovered which was paid as per the terms of the agreement for Fuel , water , employee 's salaries , overtime and allowances.

- (c) Even though provision of Rs.16 million had been made for the purchase of new motor vehicles under the lease basis for the Head Office of the Corporation, instead of purchase as , a sum of Rs.11.7 million had been spent during the year under review for the repair and maintenance of the old motor vehicles of the Corporation.
- (d) Without vesting the ownership of the double cab vehicle which is older than 20 years and discarded from running by the ministry , complete repair had been done with spending Rs.553,572 during the time period of 14 July 2015 to 02 September 2016 by the corporation. Only 15,640 Kilometers had been driven from January to August of the year under review and had been observed during the physical inspection, that the vehicle had parked in the head office premise as the repair had been done to the vehicle's engine.
- (e) According to the Internal Audit report issued on 2007 year, the clerk officer who misused the government money when engaging duties of the Supply division. Without charging the loss occurred to the government and without any disciplinary action for it, again she had been engaged to that division since 05 May 2014.
- (f) Replies for the 05 audit queries related to the year 2016 had not been furnished.
- (g) According to the 7.4.2 paragraph of Public Enterprise Circular No.PED/12 dated 02 June 2003, the board of Directors of the every public enterprises should appoint a Senior Management Committee to evaluate and monitor the annual performance of the entities. But the corporation had not been followed it and the of it had not been monitored properly by the board of directors.
- (h) Even though the Corporation had been expected to earn profits based on the Corporate Plan which had been furnished by the Corporation for 2011 to 2015 years, the Corporation had been continuously lost within that period. As per the paragraph 5.1.1 of the Public Enterprise Circular No.PED/12 dated 02 June 2003,the Board of Directors and top management had not concentrated to get the useful actions to achieve the expected targets without any delay.

4.3 Operational Activities

Following observations are made.

- (a) Even though the operations of the Chilaw Fishery harbor, constructed at a cost of Rs.224 million from the loan and from the Asian Development Bank and the Coastal Resources Management Project and handed over to the Corporation had been commenced in the year 2009, the primary objective that should be fulfilled by a Fishery harbour , that is providing relief to the fishermen had not been done up to May 2017. The loss generated from the operations of the harbor from the year 2011 to the year under review amounted to Rs.53,777,748 as such the foreign loans and the interest payable on accounts of this harbour constructed from loan aid had become a burden to the government.

- (b) In the June month of 2015 year , a private entity had been entered in to an agreement with the corporation to dredge the sand at Kirinda Harbour , but that entity had not worked as per the agreement .According to the paragraph No.08 of the agreement, with cancelling the agreement , Rs.200,000 deposit had not been vested to the Corporation. Further since August month of 2015 year, sand dredging activities of the Hambanthota Harbour also had been offered to that same entity and that duty also had been abounded. As that, the fishing vessels could not been reached to the harbour and the objective of providing facilities to the fisherman had not been fulfilled and the management had not been concentrated about this.
- (c) Out of 21 fishery harbours operated under the corporation, 15 Harbours had incurred operating losses amounting to Rs.170,740,291 during the year under review and all those Harbours had incurred losses even during the preceding year. The operating loss of Fishery Harbours at Puranawella, Kudawella, Chilaw, Tangalle and Nilawella had increase in the year under review as compared with the preceding year by 104 percent, 328 per cent , 35 per cent ,18 per cent and 10 per cent respectively. The attention of the Management had not been paid to study the reasons for incurring losses by the Harbours and bring them to profit making position or for reducing the losses and identifying the course of action for increasing the profits of the Harbours of which profits are decreasing and take necessary courses of action in that connection.

4.4 Transactions on Contentious Nature

Following observations are made.

- (a) Without the approval, the corporation had entered into an agreement with a private company in 2014 year to dredge the sand in Panadura Harbour and granted Rs.20,000,000 without a bond assurance. As per the conditions of the agreement the dredging charges should be set – off from the income on dredged sand sales , but the dredging activities had not been done , that amount of money had not been charged until the end of the year under review.
- (b) Mutwal Fishery Harbour which earned 73 per cent of the total operating profit of the 05 preceding years , had been leased to a private institution for a period of 25 years from 30 October 2014 .According to that the land 1.421 hectares in extent and the buildings had been leased at a monthly lease rental of Rs.125,000 disregarding the government valuation of Rs. 1,700,000.As such a loss of Rs.18,900,000 had been incurred only during the year 2016.
- (c) 100 tons Slipway at Cod – Bay harbour had been handed over to the private party to use on the rental basis after doing the repairment within six months. As per the agreement, the repair cost had been set – off to the six months rental income by them. Eventhough the 03 years had been passed, that slipway had been used without doing repair it.

4.5 Under utilization of Funds

Six bank accounts balances with the value of Rs.312,804 had been idled since more than 06 years.

4.6 Identified Losses

Sayuri Vessel had faced to the accident on 06 November 2016 when Sailing at Hikkaduwa Fishery Harbour , and due to the non- insurance of that vessel , the spent amount of Rs.5,800,000 for the repair had been a loss to the institution.

4.7 Lands not formally vested

Out of the 21 Fishery Harbours operated under the corporation , only the lands of 06 Harbours had been vested and the construction works had been done on the other lands and operations are being maintained without the formal vesting of the Lands.

4.8 Assets of the corporation given to other government institutions.

Following observations are made.

- (a) For the minister's duties five vehicles of the corporation had been released with the drivers during the year under review and for it, corporation had spent a sum of Rs.720,595 as fuel and drivers' salaries.
- (b) Even though the sum of Rs. 13,585,685 had been spent for the renovation of the minister's quarter , during the year under review the amount of Rs.3,723,677 shown as the receivable balance which had not been settled at the 31 December of the year under review.
- (c) Nineteen members of the corporation had been released to the line ministry and to the other government institutions and the salaries and wages totaling Rs.11,469,168 had been paid during the year under review. But the actions had not been to reimburse paid salaries from those institutions.

4.9 Staff Administration

Following Observations are made.

- (a) In terms of the section 8.2 of the Establishments code of the Democratic Socialist Republic of Sri Lanka, the department head should ensure that an officer dismissed from service should not be recruited , but on the contrary to it , since 04 January 2012 an officer who was dismissed from a government institution had been recruited for the post of Human Resource Manager.

- (b) Instances of non – compliance with the paragraph 09 of the PED/12 circular dated 02 June 2003 were observed.
- (i) As per the 9.3.1 paragraph, the Scheme of Recruitment for the recruitment and promotion of employees for the corporation had not been approved up to the year under review.
 - (ii) Without obtaining the approval from the Secretary to the Treasury for salaries as per the 9.7 section of the Public Enterprises Circular No.PED/12 dated 02 June 2003, 34 salary increments had been granted for the post of Finance Manager , and before completing the probation period , 15 salary increments had been offered to the Personnel Assistant who is at the Junior Management level. Further, the posts of Internal Auditor and Audit Officers had been placed on the incorrect salary levels and Rs.10, 000 per month had been paid as special allowance to two legal officers.
- (c) An officer recruited for the Project Coordinator post on contract basis on 02 August 2010 for a period of one year had been appointed to the post of Deputy Manager within one month contrary to the Scheme of Recruitment .He had been placed on the salary step of Rs.21,255 and confirmed in service on 06 January 2012 without testing his efficiency and suitability during the contract period.
- (d) Contrary to the paragraph 9.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003, 349 appointments had been granted outside the approved posts and contrary to the scheme of Recruitment.

4.10 Internal Audit

Following observations are made.

- (a) Although a strong audit unit should be established in the department for the fulfillment of it's duties and obligations as stipulated on the paragraph 128 of financial regulations , the chief Internal Auditor had been vacant since 2013 of the Ceylon Fishery Harbours Corporation and the management had not taken enough steps to recruit that post.
- (b) Even though the Rs.15,034,728 had been paid as salaries and wages up to November 2016 for the Internal Audit Division with consisting two Internal audit officers and three management Assistants, only 03 Internal Audit reports had been issued for the year under review. Further, the actions of the management relating with that reports had not been furnished to the Auditor General.
- (c) Even though the Financial Regulation 133 specifies that , as a main purpose of the Internal Audit Division , a continuous survey and an independence evaluation should be carried out to ensure the formality and adequacy of the Internal Checking which had been used for preceding and detecting errors and frauds of such activities , this Division had not been taken adequacy and acceptable actions to fulfill such objective.
- (d) According to the circular No.DMA 2009/01 dated 06 June 2009 , the Internal Audit Division should prepare the basic and two summery reports and four quarterly reports during the year and the copies of those reports had not been furnished to the Auditor General.

- (e) According to the No.DMD/2009/02 section dated 01 September 2009, the Internal Audit Division should formulate the Internal Audit procedures relating to the recording of assets and the internal control. But a formal record of the assets for 2014 to 2016 years of this institution had not been prepared even by the audited date.

5. Accountability and Good Governance

5.1 Presentation of Financial statements

Even though the financial statements should be presented to Audit within 60 days after the close of the year of accounts as specified in the Public Enterprises Circular No.PED/12 of 02 June 2003 , the Financial Statements for the year 2016 had been presented to the Auditor General only on 27 April 2017 with delaying 58 days.

5.2 Corporate Plan

Following Observations are made.

- (a) According to the Public Finance Circular No.01/2014 dated 17 February 2014, the Corporate Plan should be prepared at least for the 03 years , but the Corporate Plan of year 2016 to upcoming periods had not been prepared by the Ceylon Fishery Harbours Corporation even by the audited date of April 2017.
- (b) As per the regulations of Public Finance Circular No.01/2014 dated 17 February 2014, the Annual action plans had not been prepared based on the Corporate Plan and the Director Boards approvals for the prepared annual action plans had not been obtained. As it had not been prepared with including the detailed plans of objectives , scope and expected results of each activity and the budgeted reports , unable to maintain formal control of it.

5.3 Budgetary Control

Following Observations are made.

- (a) As per the 5.2 section of the Public Enterprises Circular No.PED/12 dated on 02 June 2003, the budgeted Balance Sheet for the year end, budgeted Cash Flow Statement for the year budgeted Income and Expenditure statement for the year and the budgeted capital expenditures which should be presented at the Budget Register had not been included in the Action Plan.
- (b) When comparing the budgeted expenses with the actual expenses, the variances had been observed from 20 to 490 range, hence the budget had not been made of as an effective management control.

5.4 Tabling of Annual Reports

Even though the Annual Reports should be tabled within 150 days after the close of the financial year, as specified in the paragraph 6.5.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the Annual report for the year 2014 had not been tabled even by 02 October 2017.

5.5 Unresolved Audit Paragraphs

The Following mentioned directives made by the Committee of Public Enterprises at the meeting held on 18 February 2014 had not been implemented.

- (a) Even though advised to appoint a committee to bring the loss making Harbours to profit making status, as such had not been done.
- (b) The present situation of the ceasing Services and the approval obtained on the 31 employees who were released to the ministry and other institutions had not been presented. Contrary to the Committee decision further the salaries amount of Rs.11, 469,168 had been paid for the 19 employees by the end of 2016 year.
- (c) Although it had been instructed to furnish reports on recovering fuel provided on credit basis and regarding the hearing on 10 cases and the present situation of the recovering outstanding balances, had not been submitted yet.
- (d) Even though advised to cease the supply of fuel on credit basis contrary to that committee decisions it had been issued Fuel on credit basis amounting to Rs.69 million for the last two years and at the year under review.
- (e) Action had not been taken to recover the berthing charges of Rs.5,675,373 from the vessel anchored in the Mutwal Fishery Harbour.
- (f) Even though advised to prepare the scheme of recruitment and submit for the Cabinet Approval from 2014 to 2017, the scheme of Recruitment had not been prepared and had not been submitted for the approval.
- (g) Even though advised to present the actions of management to correct the payment of salary increments which paid contrary to the Treasury circulars even elapse 04 years the actions had not been taken to correct that salary scales as per the committee decisions.
- (h) A report on progress of the advance pre-payments and the reasons for the non-implementation of committee decisions had not been presented.
- (i) In connection with the payment of an advance of Rs.2,791,215 in the year 2007 for the supply of 06 Fuel tanks valued at Rs.5,065,075 and the non – receipt of those Fuel tanks by the Corporation up to date, advised to take action against the Supply Manager. Contrary to such advice, the supply manager had been reinstated in service without conducting a disciplinary inquiry and without recovering the money paid.

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 Corporation from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

Observations

(a) Staff Loan management	Failure to formally maintaining the loan registers for the total sum of Rs.51,872,213 worth relating to staff loans, salary advances and medical loans.
(b) Financial Control	(i) Delays in preparing Bank Reconciliation statements. (ii)The Director Board approval had been obtained for the delegation of financial authorities for the year under review, after delaying three months of starting the financial year. (iii)Failure to taking actions to identify and recover and settle the unidentified receivables and payables balances which were coming from number of years. (iv)Dishonored cheques of the debtors had not been accounted under that each debtor. (v)Payment of large overdraft interest due to obtaining Bank Overdraft facilities exceeding the limit.
(c) Accounting	Non – Submission of financial statements to the Auditor General within the specified time period.
(d) Income Control	Collection of income had been at a weak level.
(e) Staff Administration	Failure to obtain the approval for the Scheme of Recruitment and grant of salary increments and recruitments made without the approval of the Department of Management Services and recruitments made without a transparency.
(f) Asset Control	Non – Maintenance of the Fixed Assets Registers and failure to revalue the assets.
(g) Internal Audit	An adequate internal audit had not been carried out and the failure to introduce Internal Control System.