

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Cey-Nor Foundation Limited for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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. 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 Foundation as at 31 December 2021, 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 (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 Foundation 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 Foundation's or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Foundation 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 Foundation.

1.4 Auditor's Responsibilities for the Audit of the 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:

- 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 Foundation'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 Foundation'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 Foundation 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 Foundation, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Foundation has complied with applicable written law, or other general or special directions issued by the governing body of the Foundation

- Whether the Foundation has performed according to its powers, functions and duties; and whether the resources of the Foundation had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

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1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) In accordance with paragraph 32 of Sri Lanka Accounting Standards No .01 when presenting financial statements an entity shall not offset balances of assets and liabilities to income and expenditure unless permitted by other Standard however trade debtors of Rs. 7,955,712 has been shown less due to total amount of Rs. 7,955,712 of mines balances had been offset in the balance as trade debtors of Rs. 53,308,846 as at 31 December 2021.	A balance had been received as advances amounting to Rs.7,955,712 in trade debtors will be offset to the debtors after issuing debtors bills. Action is taken to offset that within the year 2022.	Balances of assets and liabilities should not be offset to the balances of income and expenditure.
(b) In accordance with Sri Lanka Accounting Standards No.02 no provision had been done for damages regarding non-moving and damaged inventories respectively amounted to Rs. 5,950,509 and Rs. 70,715 as total of Rs.6,021,224.	Agreed	Provisions should be made regarding non-moving and damaged inventories.
(c) In accordance with paragraph 5.5 of Sri Lanka Accounting Standards No 9 no impairment losses have been recognized for the balance of Rs. 9,204,498 which has been incurred since 2011 shown under the current assets in the financial position as at 31 December 2021 as receivable from North Sea Private Company.	Agreed	Impairment losses should be recognized for these balances remain for a long period of time.
(d) In accordance with paragraph 06 of Sri Lanka Accounting Standards 16 for property plant and equipment “depreciation” is the systematic allocation of the depreciable amount of an asset over its useful life and In accordance with paragraph 51 the residual value and useful life of an asset should be reviewed at least at the end of each financial year. However the residual value or useful life span of the property plant and equipment which was the net book value was zero cost of Rs. 88,422,776 as at 31 December 2021 had not been reviewed.	Agreed	The residual value or useful life for property plant and equipment should be reviewed at the end of each financial year.

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| <p>(e) Even though constructing a building value of Rs. 146,952,561 in the boat yard which is owned to the Cey-Nor Foundation in Kareinagar by the Ministry of Fisheries had been given to the Cey-Nor Foundation and accurately valuating the value of the land had not included in the accounts. As well the road which prepared for launch boats (slip way) constructed by Ministry of Fisheries under the phase 2 of the boat yard in Kareinagar, and handed over to the Cey-Nor Foundation Embankment build up to prevent the erosion and the fence with net, the place where arranged to parking boats of such building items had not been taken in to accounts identifying relevant values accurately. In accordance with the paragraph 07 of Sri Lanka Accounting Standards 16 it is probable that future economic benefits associated with the item will flow to the entity and therefore it was observed that those assets and the value of the land should be accurately assess and accounted.</p> | <p>Agreed</p> | <p>The value of the land should be accounted accurately assessing.</p> |
| <p>(f) In accordance with paragraph 34 of Sri Lanka Accounting Standards 16 assets should be revalued every three or five years however the assets of the Cey –Nor Foundation had been revalued at last in the year 2009. Accordingly, even though there had been 12 years lapsed reasonable value of the property plant and equipment of the Foundation had not been indicated by financial statements due to revaluation of assets had not done.</p> | <p>Agreed</p> | <p>Revaluating of assets should be accounted.</p> |
| <p>(g) In accordance with paragraph 93 (a) of Sri Lanka Accounting Standards 19 even though the Actuarial Gain / Loss Obligation had occurred due to the change in assumptions should be identified in the other comprehensive income the Foundation had not been done so.</p> | <p>Agreed</p> | <p>Should be recognized Actuarial Gain / Loss occurred in the other comprehensive income.</p> |
| <p>(h) In accordance with paragraph 120 (a) of Sri Lanka Accounting Standards 19 the fundamental principles used to calculate provisions for employee benefits, current service cost relating to the expenditure of employee benefits, cost of interest for the year and the liability of gain / loss due to changes in assumptions had not been disclosed.</p> | <p>Agreed</p> | <p>The fundamental principles used to calculate provisions for employee benefits, current service cost relating to employee benefits expenditure cost of interest for the year and the liability of benefit / loss due to</p> |

changes in assumptions should have been disclosed.

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| (i) | Even though the land of Mattakkuliya and the land of D.R.Wijayawardena Mawatha used as investment assets, instead of being disclosed in the financial statements regarding those assets in accordance with paragraph 75 and 79 of Sri Lanka Accounting Standards 40 were shown under the Property Plant and Equipment in the notes 12 by adding to the relevant category of assets. | Agreed | Lands of investment should be disclosed in the financial statements. |
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1.5.2 Accounting Deficiencies

Audit Observation	Comment of Management	Recommendation
(a) An amount of Rs. 1,154,021 had been paid as interest of overdraft for the bank account No. of 1450 during the year under review however the interest of overdraft account had been accounted less by Rs.231,383 due to accounted Rs. 922,638 only for the interest of bank overdraft account.	Agreed	Interest of overdraft should be accurately accounted.
(b) According to the schedule of provision for doubtful debtors amounting to Rs. 238,822 of provision for doubtful debtors had been done by a private name however accordingly the schedule the balance of debtors had been shown less due to a balance recovered is not shown by that name.	It was informed that corrections have been done in the accounts of the 2022.	Provision for doubtful debtors should be accurate.
(c) An amount of Rs.19,563,024 of the retention of profit has been indicated in the trial balance as at 31 December 2021 is a balance which has been included for balancing based on the information misplaced before 07 years. And even though it was informed that to the audit steps are taken to correct regarding such actions had not been taken up to now.	This balance has been used in 2016 when entering computer assisted accounts and a opening balance of Rs. 19,563,024 retained earnings has been taken by the closing balances of the accounts of 2015.	Action should be taken to correct this uncertain balance.
(d) Over funded employee benefits amounting to Rs. 2,148,817 had been credited to the administration expenses account instead of credited to the income account.	It was informed that due to a large number of employees had resign from the service therefore the grtuativity had provisioned relating to them had been less and accounting error had not been occurred.	Income and expenditure should be accurately accounted.

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| (e) | Even though the interest for the fixed deposits relating to the year 2021 was Rs. 682,406 accordingly the fixed deposit renewal notice under the account number of 8302097 in the Bank of Ceylon the annual interest rate was Rs.824,141 therefore there had been a difference of Rs.141,735 accordingly, the profit of the Cey – Nor Foundation had been over valued due to the annual interest income has been accounted more of that amount . | Agreed. | Fixed deposits interest should be accurately accounted. |
| (f) | Instead of accounting as receivable interest of recognizing the fixed deposit interest of Rs. 144,439 relating to the 21 September 2021 to 31 December 2021 of the year under review to the income of the year had been added to the value of fixed deposits. Accordingly the fixed deposits value more by Rs. 144,439 and interest receivable less in that amount had been shown in the accounts. | Agreed. | Fixed deposits interest should be accurately accounted. |
| (g) | According to the bills issued by the National Audit Office the audit fees to be payable relating to the years of 2017,2018,2019 and 2020 was Rs. 1,656,000. However a Rs. 845,100 as a trade debtor and a Rs.586,000 in an account of allocation of provision had been accounted in the accounts of the Foundation. Accordingly, audit fees to be payable had been shown less of Rs.224,900 in the books of the Foundation and also the profit of the Foundation had been shown more by that amount. | Agreed. | Audit fees should be accurately accounted for. |
| (h) | Even though Rs. 3,332,073 of employee loans in the employee loan account had been recovered during the year under review, the value of loan installments with the interest relating to the loans deducted from the employee’s salary had been credited to the employee loan account, and the interest for the loan had not been recognized as income of the year under review. | Agreed. | Employee loans should be accurately accounted for. |
| (i) | An amount of rent income Rs. 206,703 from a private institute as at 31 December 2021 had been classified under trade debtors instead of classifying as receivable rent income. | Answers are not given. | Classification of rent income receivable and trade debtors should be accurate. |

- (j) Even though the balance Rs. 124,909,677 of deferred income and the balance Rs.15,401,037 of liability of employee benefits at the end of the year under review should be separately shown in the statement of financial position and had been shown in the statement of financial position as differed liability of Rs. 140,316,714 by adding those balances.
- Action should be taken to disclose in the financial statements in the year 2022.
- Deferred income and liability of employee benefits should be separately shown in the financial statement.

1.5.3 Unreconciled Control Accounts or Records

Item	As per Financial Statements Rs	As per corresponding Record Rs.	Difference Rs.	Management Comment	Recommendation
(a) Income from investment of Property	18,900,000	18,800,00	2,100,000	It is mentioned that there has been a printing mistake in the discloses and recognizing as income in the accounts has been done under accurate value.	Corresponding Records and figures of the financial statements should be equal.
(b) balances of deposit accounts	38,636,259	38,634,259	2,000	Agreed	
(c) Deferred income tax liability	4,116,170.23	0.34	4,116,169.89	It was informed that there has been a printing mistake.	

1.5.4 Documentary Evidences not made available for Audit

Subject	Amount Rs.	Evidence not available	Management Comment	Recommendation
(i) Other payables	94,508	Registers and books	Agreed	Giving registers and books needed for audit should be done.
(ii) Material advance receivable	115,736	Registers and books	Agreed	
(iii) Other receipts	1,897,664	Registers and books	Agreed	

(iv)	Debtor balances	53,308,846	Confirmations balances	of Agreed	Confirmations of balances should be called.
(v)	Salary control account	453,125	Schedule	Agreed	Registers and books needed for audit should be given.
(vi)	Sales advances	49,125,857	Schedule	Agreed	
(vii)	Refundable deposit balances	580,112	Registers and books	Agreed	Confirmations of balances should be called.
(viii)	Contingent receivables	14,903	Registers and books	Agreed	
(ix)	Credit balances	16,551,332	Confirmations balances	of Agreed	
(x)	Credit balances remain more than 03 months	8,433,286	Age analysis	Agreed	Age analysis should be prepared.
(xi)	Employee loans	3,339,810	Employee loan Register	Agreed	Employee loan Register should be prepared.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Observation	Comments of Management	Recommendation
(a)	Value of Rs.5,059,049 raw materials had been given to a private company under a subcontract basis for manufacturing fishing nets, out of that value of Rs. 149,274 of fishing nets had been received to the Cey-Nor Foundation. When giving those raw materials no having any guarantee or enter in to an agreement had not been done. Accordingly the balance of raw materials valued Rs. 4,909,775 has been shown in the financial statements as receivables from the year 2011 to 31 December 2021 and even though recovering is uncertain a provision for doubtful debts had not been done for this.	Action has been taken to recover this amount from the relevant Company.	Should be recovered the amount which has not been settled for a long time. If recovering is uncertain provisions should be made for doubtful debts.

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| (b) | Activities related to the Dikowita Fisheries Harbor Project implemented under the Ministry of Fisheries had been got done by the Cey- Nor Foundation and for that Rs. 1,757,057 and Rs. 1,770,766 as total amount of Rs. 3,527,824 as receivable to the Foundation from the Ministry of Fisheries shown in the two ledger accounts and no any action had been taken by the Foundation to recover it and provisions had not been made for doubtful debts. | It was informed that steps are taken to discuss with the Ministry action needed to recover. | Should be recovered the amount which has not been settled for a long time \and if recovering is contingent provision for doubtful debts should be made. |
| (c) | Provision for doubtful debtors had not been made for the total amount of Rs. 345,413 balance of debtors which could not recover for a long period of time included in the balance of Rs.45, 353,134 of debtors as at 31 December 2021. | Agreed. | Action should be taken to recover the amount due for a long period of time or to make provisions for doubtful debts. |
| (d) | Value of Rs. 1,221,893 value securities which has been given as cash margins in 04 instances as bank guarantees in the year 2017 and also lapsed in that year had not been realized. | Agreed | Disciplinary actions should be taken against the officers who are not taken actions to recover the amount due for a long period of time and to realize the guarantees. |
| (e) | From the property which land of 2 roods and 18 24 perches and all the properties on that owned to the Cey-Nor Foundation located at D.R Wijewardena Mawatha, had been leased out for a private Company on 4 July 1998,the value of income of Rs. 323,515 relevant to the year 2018 and the rent for more than 4 years from 2018 to up to the date had been lost to the Foundation. | Agreed. The case is processing up to now. | Action should be taken to recover the rent as per the legal instructions. |

1.6.2 Payables

Audit Observation	Comments of Management	Recommendation
(a) Total balances of unsettled more than 90 days amounting to Rs. 8,433,286 has included in the balance of trade creditors of Rs. 16,551,322 was observed and the management had not paid attention to settle this .	Agreed.	} Action should be taken to settle the money payable for a long time.
(b) In the balance amount of Rs. 384,067 of unpaid salaries and wages account in the years from 2006 to 2010, 2011 to 2015 and 2016 to 2019 had been an unsettled balances of Rs. 75,793, Rs. 113,880 and Rs. 66,657 respectively and action had not been taken to settle those balances.	Agreed	

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Employees Provident Fund Act No. 15 of 1958 (Amended)Section 10 (2)	Even though contributions to the Employees Provident Fund for certain month should be remitted on or before the end of the following month, an amount of Rs. 36,740 of the Employees Provident Fund relevant to the period from July to December 2017 had been withheld without remitting from the month of May 2019.	Agreed.	The contribution of a certain month to the Employee Provident Fund should be remitted on or before the end of the following month.
(b) Procurement Guideline			
(i) 2.7.5	Even though the Department Procurement Committee should be appoint by the Secretary to the Line Ministry, the Procurement Committee regarding purchase of raw material value of Rs. 37,583,845 had been appointed by the Chairman of the Foundation.	To be correct in future.	Procurement Committee should be appointed as per the Procurement Guideline.
(ii) 2.7.5 (c)	Even though for the composition should be appointed a Senior Assistance Secretary of the Line Ministry or a Director on par contrary to that an Assistant Director of the Ministry had been appointed for that.	The senior level post is only position General Manager and that post was vacant during the relevant period.	Composition of the Procurement Committee should be appointed as per the Procurement Guideline.
(c) Public Enterprise Circular No. PED/12 dated 02 June 2003			
(i) Section 5.1.3	Even though the updated corporate plan of the Cey-Nor Foundation Limited for the years of 2021-2025 should be submitted to the audit before 15 days of the financial year	Action has been taken to update corporate plan relevant to the 2021-2025 years.	Updated corporate plan should be submitted to the audit.

started, preparing of such an updated corporate plan had not been submitted to the Auditor General.

(ii) Section 5.2.5	Even though a copy of an updated budget with the approval of the Governing Board should be submitted to the Auditor General before 15 days of the financial year started by the Public Enterprise Institutes a copy of the budget relating to the year 2021 had been submitted to the audit on 15 December 2021 after delay of more than a year.	Agreed.	A copy of a budget should be submitted to the Auditor General before 15 days of the financial year started.
(d) Public Administration Circular No. 30/2016 dated 29 December 2016 Paragraph 3.1 and Paragraph 5. 1	Fuel consumption of government vehicle, giving advances for fuel, maintaining running charts had not been done as per the circular.	Transport section has been aware of regarding this Circular.	Checking fuel consumption and maintaining running charts should be done.
(e) Company Constitution (i) Paragraph 53	It was stated that the Annual General Meeting should be held that Annual General Meetings had not been held in 2018, 2019 and 2020.	Answers have not been given.	Annual General Meeting should be held.
(ii) Paragraph 58	Even though the Chairman of the Foundation should be appointed by the Board of Directors in the Annual General Meeting appointing of the Chairman had been done by the Secretary of the General Treasury.	Answers have not been given.	Chairman should be appointed by the Board of Directors

2. Financial Review
2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.4,248,596 and the corresponding deficit in the preceding year amounted to Rs.. 24,403,823 Therefore an improvement amounting to Rs. 28,652,419 of the financial result was observed. Increase in sales income of Domestic boats and Fiber productions by 230 percent that is Rs. 84,316,325 with compared to the previous year had been mainly attributed this improvement.

2.2 Ratio Analysis

- (a) The current asset ratio of the current year was 1: 1.3 and 1: 1.47 respectively as compared to the previous year. Decrease in payables by 6,881,452. That is 31 per cent in the current year had been mainly attributed this improvement.
- (b) The quick ratio of the current year was 1: 0.7 and 1: 0.6 respectively as compared to the previous year. Decrease the cash and bank balances by Rs. 36,818,717 as it is decrease by 1,017 percent of the current year had been mainly attributed to decrease this ratio.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of Management	Recommendation
(a) A balance of Rs. 1,144,306 included in other payables as payable to Lanka Fisheries Corporation for providing of security services had been written down for miscellaneous income and the reason for the written down for and the approval of the Board of Directors for that had not been submitted.	An approval with the attachment of journal voucher No. JE/01/05 and action is taken to resubmit those registers.	Reason for written down and approval for that should be presented.
(b) A balance of Rs. 2,938,167 included in in the balance of Rs. 3,146,708 of the retention payment account under other payables should be payable to 36 institutes remain for more than 10 years and action had not been taken to settle those balances.	Agreed	Action should be taken to settle the balance of payable.
(c) Action had not been taken to settle the balance of Rs. 118,570 of Jaffna compensation account included in the other payables has been remained for more than 5 years.	Answers has not submitted	Action should be taken to settle the balance of compensation.
(d) Action had not been taken to settle the balance of Rs. 412,620 included in the other payables of unpaid Grtuativity account which should be payable to two officers from the year 2016.	Answers has not submitted	Action should be taken to settle the Grtuativity balance.

3.2 Procurement Management

Audit Observation	Comments of Management	Recommendation
(a) Under the introduction of a developed eco-friendly Vessel presented by the Fisheries Department and the Nara Institute together with the purpose of minimizing the water pollution Cey –Nor Foundation had signed an agreement with a Private Institute to a pilot project on 28	Discussions regarding this are held currently with various investors as new project proposals and it is expected that orders may be received in future.	Procedures should be prepared to get orders.

December 2020 for the implementation of a vessel along the lagoons operating by an alternative fuel energy of solar power. Agreed to install a solar panel in a boat which 13 feet of length and accordingly the said agreement even though it should be finished within the period of two months starting from 01 November 2020 and ending of 31 December 2020 it was finished on the date of 30 April 2021 after delaying of 4 months. Even though action is taken to get orders by publishing the success of that in the web site of the Foundation no any orders had received.

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| <p>(b) The value of the non-moving stocks, slow moving stocks and damaged stocks purchased due to non- considering of the requirement in the stores as at 23 August 2022 respectively was Rs. 5,516,287, Rs. 434,222 and Rs. 70,715 and value of Rs. 3,040,000 of 5 cooling rooms using for fishing vessels had been remain in the stores without using.</p> | <p>08 numbers of items has been purchased and out of those 03 items has sold by now. Accordingly it is planned to dispose or sell in order to recognized methodologies of the government after having proper valuation.</p> | <p>Considering the requirement purchases should be done and action should be taken to dispose in order to recognized methodologies of the government or to sell. And also the 5 number of cool rooms should be immediately utilized or dispose.</p> |
| <p>(c) An approval had been given by the Cabinet decision CP No. 20/1042/204/050-1 dated 16 July 2020 for transferring 100 perches to another Company out of the land which has been leased for the said private Company by the Cey-Nor Foundation Limited. Accordingly instead of implementing activities for the future existence of the Cey-Nor Foundation Limited which was an institute acquired by the government under the Act of trade business (acquisition) No. 35 of 1971 it was observed that contrary to that the cabinet memorandum No. MFE/ERD/2020/14 dated 01 July 2020 had been prepared by the Secretary to the Ministry of Finance, Economic and Policy Development.</p> | <p>Agreed. Line Ministry and the Finance Ministry have been aware of regarding that.</p> | <p>When preparing cabinet memorandums action should be taken course to the future existence of the Cey-Nor Foundation.</p> |

3.3 Defects in Contract Administration

Audit Observation	Comments of Management	Recommendation
(a) Even though a floating jetty had been manufactured incurring of Rs.3,061,157 for a personnel customer in the year 2020. However it had not taken away. Therefore it was stored in the plant of machinery. For the above order which accepted to hand over after finishing both parties had not entered in to an agreement and it was further observed that a performance bond or advance had not been taken.	Agreed. It was informed in writing that goods are not handed over even if paying advances. However from the part of the Corporation no any favorable response had received. It is planned to get a valuation of the product now.	A performance bond or an advance should be get when entering in to an agreement.
(b) For up grading the fish production and improving the quality of the loaded fish and under the improvement of fishing vessel system even though the Cabinet approval had taken for the Cabinet memorandum No. 16/0980/785/020 dated 24 May 2016 to manufacture 10 number of vessels length of 55 feet and each of Rs. 26 million. When manufacturing the length of that vessel has increased as 59.5 feet however Cabinet approval has not taken. For manufacturing these an amount of Rs. 145 million has given to the Cey- Nor Foundation by the Department of Fisheries and Aquatic Resource. Accordingly the Cabinet approval when manufacturing these vessels cost of one trawler is Rs. 29 million (with VAT) due to exceed limit that for 5 number of vessels had manufactured by the Cey- Nor Foundation the loss had occurred to the Foundation was Rs. 38,384,475.	Agreed. A discussion has been held regarding this with the chief of the Director General of the department and coordinating all the relevant parties and even though agreements has proposed to update from the part of the Department awareness has not done regarding new conditions for that up to now.	Action should be taken to enter in to agreement when taking fishing vessels orders and production activities should be done as per the losses not to be occurred.

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| <p>(c) 10 number of trawler of above (b) out of 3 fishing trawler given to a private company 2 of No. IMUL-A-0061KMN and IMUL-IMUL-A-0062KMN of trawlers even is not completing jobs an amount of Rs. 30,321,343 had paid to that Company by Foundation for that.</p> | <p>Agreed. A discussion has been held regarding this with the chief of the Director General of the department and coordinating all the relevant parties and even though agreements has proposed to update from the part of the Department awareness has not done regarding new conditions for that up to now.</p> | <p>This transaction should be immediately concluded as no loss has been to the Foundation.</p> |
| <p>(d) For the above mentioned vessel No. IMULA-0061-KMN capacity of 400 HP engine has to be install however capacity of 300 HP engine had been install. It was observed that there had not been proper investigation and evaluation done regarding that activity.</p> | <p>Agreed. This has used once however as the capacity of electricity is high more expenses has to be incurred. But technical instruction has received if operations continuously implement the consumption of electricity could be maintained at an optimum level. But can be done in one system and since adequate orders had not received to the institute to maintain such continuous operations unable to take advantages of the air conditioning system. Accordingly the expected orders to be received in future it is planned to get maximum utilization of air condition system.</p> | <p>Action should be taken to enter into agreements when taking orders and manufacturing activities should be done in such a way that losses do not occur.</p> |
| <p>(e) Only the hull of the multi day fishing vessel No. IMULA-0062-KMN had completed spare parts including engine, generator has not purchased and even though Rs. 4,661,782 had been paid to the manufacturing company for relevant engine on 02 March 2017 by the Foundation even though 04 years has elapsed engine had not been purchased.</p> | <p>Agreed. This has used once however as the capacity of electricity is high more expenses has to be incurred. But technical instruction has received if operations continuously implement the consumption of electricity could be maintained at an optimum level. But can be done in one system and since adequate orders had not received to the institute to maintain such continuous operations unable to take advantages of the air conditioning system. Accordingly the expected orders to be received in future it is planned to get maximum utilization of air condition system.</p> | <p>Action should be taken to enter into agreements when taking orders and manufacturing activities should be done in such a way that losses do not occur.</p> |
| <p>(f) Under the constructing of Dikowita Fisheries Harbor Project of Cey- Nor Foundation in the year 2013 in the premises of Mattakkuliya vessel complex a building has been constructed with a central air-condition system controlling low temperature and humidity for manufacturing trawlers in high quality however had not been utilized up to the date of 08 September 2022. An amount had incurred for that was Rs. 10,543,195. Since this was constructed with a foreign grant project it is not an effective investment so that the Sri Lankan government has not been able to take advantage of the grant.</p> | <p>Agreed. This has used once however as the capacity of electricity is high more expenses has to be incurred. But technical instruction has received if operations continuously implement the consumption of electricity could be maintained at an optimum level. But can be done in one system and since adequate orders had not received to the institute to maintain such continuous operations unable to take advantages of the air conditioning system. Accordingly the expected orders to be received in future it is planned to get maximum utilization of air condition system.</p> | <p>Action should be taken to enter into agreements when taking orders and manufacturing activities should be done in such a way that losses do not occur.</p> |

3.4 Human Resource Management

Audit Observation

As per the revision had been done approved cadre on dated 26 April 2012 of the Cey - Nor Foundation even though the cadre was 135 the actual cadre as at 31 December 2021 was 71. Accordingly 64 vacancies of 03 posts of senior management level and 15 posts of junior level due to recruitment had not been done and had affected directly to the efficiency of the Foundation.

Comments of Management

Due to unfavorable financial position of the institute new recruitments is being limited.

Recommendation

Steps should be taken to fill vacancies or to revise approved cadre.

3.5 Management of the Fleet of Vehicles

Audit Observation

- (a) It was stated that identifying and disposing vehicles as per the Annexure 01 of paragraph b .1 of Assets Management Circular No. 05/2020 dated 02 October 2020 of Secretary to the Treasury information had not been submitted regarding vehicles in repairing condition and identifying the vehicles should be used repairing, vehicles difficult to repair and repairing is not economical. Action had not been taken as per the above Circular regarding vehicle No. GB5762,301-3405,61-8772 of vehicles and tractor which has not been running condition for a period of 2 years to 10 years.

Comments of Management

Since there were no economically power to purchase of new vehicles the vehicles which you had identified as not in running condition has to be taken in to running condition.

Recommendation

Identifying and disposing of vehicles under the condition of repairing should be done as per the Circular.

- (b) Even though the State Emblem should be stenciled as per the Public Administration Circular No.26/92 (1) dated 03 August 1994 in the 05 number of vehicles of the Foundation had not been displayed the State Emblem.

Action to be taken to correct in future.

Should be displayed the State Emblem.

4. Accountability and Good Governance,

4.1 Annual Action Plan

Audit Observation

- (a) As per the Action Plan and the Progress Report under 06 activities the physical progress of the production of fisheries vessels, floating housing boats, floating restaurants and relaxing boats has been indicated as 60 percent it has been impossible to satisfy that progress due to not being specified.

Comments of Management

Agreed.

Recommendation

Action Plan should be properly prepared.

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|-----|--|---|---|
| (b) | Even though it was planned to manufacture 4 fisheries trawlers length of 69 feet with all accessories allocating proposed financial provision of Rs. 300 million out of Rs.430 million of 70 percent in the Action Plan when showing physical progress it had been shown 2 units and percentage indicate as 100 . According to the progress report submitted as at 31 December 2021 incurring Rs. 52 million for 02 vessels 17 percent of financial progress has been earned and therefore provisioning of Rs. 300 million for 4 trawlers was observed as over estimating. | Agreed. | Action Plan should be properly prepared. |
| (c) | Even though financial allocation had been done for supplying of fisheries vessel length of 30-32 feet of Rs.1.87 million, for supplying of floating housing boat of Rs7.84 million, for supplying of floating restaurant of Rs. 3.43 million, for supplying of floating relaxing boat length of 13.5 feet of Rs. 1.16 million any of those projects had not been implemented. | Agreed | Action should be taken to implement the action plan. |
| (d) | Even though financial provision of Rs.34.68 million had been allocated to produce 800 units of direct and indirect productions to sell for Government institutions the physical progress was 280 units of 35 percent and financial progress was Rs. 7.31 million of 21 percent due to non- resorting to marketing promotion activities for having orders. | The Foundation could not reach to the expected targets due to economic recession and the decline in the tourism field prevailed in the country and expenses for marketing promotions has to limit. due to poor financial situation. | Action should be taken to implement the action plan. |
| (e) | For the purpose of earning additional income installing vehicle leasing and vehicle lifting equipment even though the Board of Directors has approved for fitting vehicle lifting equipment for the truck No. LK2629 in the Matkkuliya trawlers yard on 23 February 2021 and therefore action had not been taken to install such a thing that target could not be reached. | Income has not been lost due to not included in the Action Plan. | Action should be taken to get additional income doing activities of installing vehicle lifting equipment which has been approved by the Board of Directors. |