

Ceylon Fishery Harbour Corporation - 2019

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Ceylon Fishery Harbour Corporation for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Corporation. Because of the significance of the matters discussed, in the Section 1.5 of this Report. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer

My opinion is disclaimed 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 responsibility, 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 Public Sector 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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Auditor’s Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Corporation’s financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor’s report. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

1.5 Financial Statements

1.5.1 Non –compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the Relevant Standard	Comments of the Management	Recommendation
<p>Out of the made in 2004 for the rehabilitation of damaged assets due to the Tsunami disaster amounting Rs. 945,559,937, the assets had been rehabilitated and shown in the financial statements under the capital gains. Nevertheless, without taking actions to adjust the amortization of assets with capital receipts, it had been shown in the financial statements under reserves for more than 15 years.</p>	<p>Asset revaluation 2007 has been done and other assets were revalued except for the damaged assets therein. Subsequently, a fixed assets revaluation reserve account has been set up adjusting the assets stated in the ledger as at the day with the assets revalued and the value of it is Rs. 2,686,972,668. Therefore, actions will be taken to adjust in future accounts checking the relevant adjustments again in the due course.</p>	<p>Actions should be taken to adjust the depreciation of assets with capital receipts.</p>

1.5.2 Accounting Policies

Audit Observation

It had been disclosed in the financial assets that the properties leased out by the Corporation under the Operating Lease Scheme was shown at its fair value in the financial statements. Nevertheless, the fair value pertaining to 87 properties thus leased out had not been calculated and stated in the financial statements and the details of the aforesaid invested properties had also not been disclosed in the financial statements.

Comments of the Management

Actions will be taken to assess fair values of these properties leased out to be shown in financial statements in future.

Recommendation

Actions should be taken to indicate a fair value in the financial statements by obtaining the valuation report of the leased property.

1.5.3 Accounting Deficiencies

Audit Observation

(a) The advance of Rs. 1,788,400 paid on 07 March 2019 for the reconstruction of internal road network of Puranawella Fishing Harbour had been credited to the maintenance expenditure account without accounting for as work- in- progress. As a result, the loss for the year under review had been overstated in the financial statements by that amount.

Comments of the Management

The certificate has been issued by the Engineer as the reconstruction work related to the advance has been completed and a part of the internal road system has been rehabilitated by that. Therefore, this amount has been accounted for considering as an expense.

Recommendation

Capital expenditure incurred under infrastructure construction should be identified under work - in-progress.

- (b) Despite the construction works of the Net Processing Hall at the Puranawella Fishery Harbour had been completed on 16 May 2019, it had been appeared under work-in-progress in the financial statements instead of accounting for the contract value of Rs. 6,445,061 as assets.
- The works have been completed in 2019, just after the final payment made on 26 June 2019. However, the Net Processing Hall has been used in full since January 2020. Accordingly, it is accounted for through journal entries for the transfer to the assets account of 2019.
- It should be transferred from work-in-progress to the assets at the end of the year under review according to the certificates of the completion of the construction.
- (c) Instead of the amount of Rs. 4,906,175 received during the year under review for providing pre and post contract consultancy services for the development of Chilaw and Mirissa Fishery Harbours as Green Fishery Harbours taking into accounts as counselling service fees other income, it had been shown as receipts from grants of the Ministry in the financial statements. As a result, the loss for the year under review was overstated in the financial statements.
- Accounting Note has been made for the correction under the journal voucher No. J / 117/2021 and the Finance Division has taken steps to adjust it from the profit and loss for the year 2019 in the preparation of final accounts for the year 2020.
- The consulting service fees received as income for the year under review should be accurately accounted for as other income.
- (d) Even though a sum of Rs.107,330,143 had been stated as changes in trade and other receivable items under working capital changes in the cash flow statement, that change was Rs.119,763,903 as per the information provided in the financial statements and although the gratuity payment was Rs.10,110,436 it had been understated as
- It has been corrected with accounts for the year 2020.
- Actions should be taken to present the cash flow statement accurately.

Rs. 9,636,797 in the cash flow statement. As a result, the audit could not be able to satisfy with the accuracy of the cash flow statement.

(e) Actions had not been taken to take over the lands belonging to 16 Fishery Harbours which were handed over to the Corporation after development and are currently used by the Corporation and to show their valuation in financial statements. Similarly, even though the Paraliya Anchorage at a cost of Rs.282,705,399 and Myladi Fishery Harbour at a cost of Rs.94,504,496 had been completed and handed over to the Corporation in the preceding year and the year under review respectively, actions had also not been taken to state those capital grants and assets in the financial statements.

(f) The amortization value of the assets purchased from other capital grants had been overstated in the financial statements by Rs.19,092,251. Therefore, the values of these assets and other capital grants, had been understated by the above amounts respectively in the financial statements. Similarly, the machinery purchased under the capital grant as at 31 December 2019 at a total cost of Rs. 128.47 Million had not been amortized as per the policy

The construction works of the Paraliya anchorage have been carried out by the Project Division of the Ministry and arrangements have been made to obtain the project report for accounting for that and actions will be taken to take into accounts for the year 2021 . The construction works of Myladi Fishery Harbour was carried out by the Project Division of the Ministry and arrangements have been made to obtain the project report for accounting for it and actions will be taken to take into accounts for the year 2021.

Actions have been taken to correct the over-calculated amortization with the accounts for the year 2020 . These balances have been remaining from a few years ago and it has been made notes to adjust the relevant amortizations relating to those grants. Actions will be taken to correct in the year 2021 .

Actions should be taken to state the capital grants and assets in the financial statements.

Actions should be taken to adjust the amortization accurately in accordance with the policy applicable to the capital grants of the Corporation.

relevant to capital grants of the Corporation.

- (g) A difference of Rs. 11,518,334 in between the operating expenses of the Myladi Fishery Harbour appeared in the financial statements during the year under review and the expenditure mentioned in the relevant schedules and a difference of Rs. 4,766,571 in between the value stated in the financial statements as per the annual fuel expenditure of the vessels owned by the Corporation and the value mentioned in the relevant schedules were observed. Similarly, a difference of 81,111 litres of fuel amounting to Rs. 7,957,638 in between the fuel stock value and the physical stock value stated in the financial statements was observed. Nevertheless, the reasons for these changes were not explained to the audit.
- There have been coding errors in the schedules included in the financial statements regarding the total expenditure related to Myladi Fishery Harbour and it had not affected to operating profit or loss .
- Difference in the values stated in the financial statements and schedules should be found and corrected.
- There are always minor differences with the book value in physical stock verification of fuel. That is, the physical stock verification is done with the help of a dip and due to changes in its smaller units therein, minor changes may occur. Further, the changes can be seen with book values at the test checks on fuel stocks in the morning and evening .

1.5.4 Lack of Evidence for Audit

Audit Observation

Because of the evidences such as Registers of Fixed Assets on total cost of Rs. 6,554,375,576 for 23 types of fixed assets, primary documents and balance confirmation letters pertaining to 02 trade debtor balances amounting to Rs.108,700,043, activities done from the capital sources such as grants from the Ministry and other grants amounting to Rs. 214,635,319 and receipts from the Asian Development Bank amounting to Rs.838,173,660 and the details on invested assets, detailed schedules pertaining to current assets with the total cost Rs. 116.8 Million in relation with 04 items and primary documents related to journal entries amounting to Rs. 6,768,012 shown as prior year adjustments were not furnished to audit, those subjects could not be satisfactorily vouched or accepted at the audit.

Comments of the Management

Arrangements should be made to provide the written evidences such as fixed asset records, debtor schedules, primary documents, balance confirmations required to audit to prove the account balances stated in the financial statements.

Recommendation

Actions should be taken to submit information to the audit in terms of to Section 42 of Part viii of the National Audit Act No. 19 of 2018 .

1.6 Non-compliance with Laws, Rules, Regulations etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Financial Regulation 396 (c)	Actions had not been taken as per the aforesaid regulation in respect of the cheques issued to 4 bank accounts valued at Rs. 3,159,737 but not submitted to the bank even after 6 months.	Out of the cheques which have been held for more than 06 months, the cheques which had not issued to customers and remained with us have been cancelled and monthly bank reconciliation reports were prepared cancelling of maturity cheques which were presented to the bank but not presented after confirming that the payment would not be made and making the correct adjustments to the bank accounts above.	Actions should be taken in accordance with Financial Regulations.
(b) Establishment Code of the Democratic Socialist Republic of Sri Lanka	(i) Paragraph 13.3 of Chapter II Although an acting appointment should be made only as a temporary remedy until a permanent appointment is made, 06 officers have been appointed on acting basis continuously since 2016 .	The permanent post of one lady officer is that the Assistant Accountant and the post of Acting Accountant has been given with effect from 01 November 2018 . With the construction of new posts, since the recruitments should be made with a	The Corporation should take immediate action to grant appointments for permanent posts.

limitation in accordance with the approved Scheme of Recruitment, in view of the prevailing situation, the post of Deputy Port Manager has been granted. It has been carried out on acting basis until the port managers were recruited subject to the approved Scheme of Recruitment due to the absence of port managers with the construction of new ports. The carrying out the acting basis has been stopped by now. Appointment to the permanent post of General Manager has been made with effect from 28 April 2021.

(c) Section 01 of the Public Enterprise Circular No. 01/2015 dated 25 May 2015

A total of Rs.3,133,500 transport allowances had been paid during the year under review with the approval of the Board of Directors to 36 officers in MM 1-1 and JM 1-1 categories who are not entitled to transport allowances.

The approval of the Board of Directors to pay allowances for official trips to Port Managers and Deputy Port Managers have been obtained and due to the considerable distance to be travelled from ports to other government agencies this allowance is paid considering the transport difficulties in the ports.

Arrangements should be made to pay the transport allowance as per the instructions given in the circular.

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| <p>(d) Management Services Circular No. 05/2017 dated 25 October 2017</p> | <p>A total of Rs. 1,080,000 had been paid by the Corporation as professional allowances during the year under review a sum of Rs. 15,000 per each month for 07 Engineers of the Corporation without considering of the period of service in contrary to the provisions of payment of professional allowances for senior level officers in public corporations .</p> | <p>Professional allowance payable to the executive officers of the Corporation in addition to the engineering allowance are not paid for these officers as per the circular and the engineering allowance is being paid to them subject to the approval of the Board of Directors.</p> | <p>Actions should be taken to pay professional allowances subject to the terms of the Circulars.</p> |
| <p>(e) Public Enterprise Circular No. PED / 12 dated 02 June 2003</p> | <p>A sum of Rs. 7,579,704 had been paid as salaries and allowances in the year under review releasing 13 employees of the Corporation to the Line Ministry and other Government Institutions.</p> | <p>It has been requested in writing with the signature of the Additional Secretary (Administration and Human Resources) of the Ministry on 24 August 2020 as these employees to be attached to the Line Ministry on a temporary basis and necessary arrangements will be made by the Ministry to reimburse the relevant salaries and allowances for these employees.</p> | <p>Actions should be taken in accordance with circular provisions.</p> |

(f) Public Enterprises
Circular No. PED
03/2018 dated 07
December 2018

Although the maximum bonus that can be paid to the staff of the Corporation in case of loss in the year 2017 was Rs. 3,000, bonus of Rs.15,768,250 per staff member up to Rs.15,000 in the year 2018 without the approval of the Special Cabinet of Ministers and the prior approval of the General Treasury and although the maximum amount that can be paid based on the 2018 profit level was Rs. 15,000, payments were made in contrary to the circular instructions a sum of Rs. 30,950,000 had been paid as Rs. 25,000 per each staff member in April 2019 as well.

The above payment has not been approved as per the letter of the Deputy Secretary to the Treasury addressed to the Chairman of the Corporation No. PED /A / CFHC / 1/1 dated 28 June 2019 and although it had been informed to take actions to credit the money paid as bonuses to the Treasury, arrangements had not been made to credit the money to the Treasury by the date of audit September 2020 .

The incentive allowance was paid subject to the approval of the Board of Directors based on the revenue from the sand and excavation works.

The approval had been given to make payments according to the paper of Board of Directors on the profits received from the Whale Watching Project and the Treasury has been notified in writing on 04 April 2019 after payment.

Accordingly, it has been emphasized that the approval of the Treasury cannot not be granted on the request made regarding the payment of incentives to the employees and the prior approval of the Treasury should be obtained developing a scheme for payment of incentives if it is expected to receive such incentives in future .

Actions should be taken to pay staff bonuses only with the formal approval of the Treasury.

(g) Procurement Guideline	(i) 1.2.1	The tenders had been opened on 03 October 2019 that is, the same day the bid advertisements were posted on the website as not allowing a fair opportunity to purchase Plastic Discharge Pipe with Plumbers for a sum of Rs. 7,255,600 for Nil Diyawara Vessel .	Shopping Method has been followed for procurement. Further, since the above procurement is an emergency port maintenance task, this was done in accordance with the relevant guidelines under the Shopping Method.	According to the methodology followed in making purchases, actions should be taken to apply the Procurement Guidelines.
(ii) 5.3.13 (a) and 5.4.8 (a)	The Performance Security had not been obtained from the supplier when purchasing hardware items for the Sayura Vessel valued at Rs. 1,366,200 from a private company on 21 June 2019 .	The reason for not obtaining a performance guarantee was that the payment was made based on the recommendation of the Mechanical Engineer after purchasing the relevant goods.	The Corporation should take actions to obtain performance security at the time of purchase according to the Procurement Guidelines.	
(j) Ministry of Finance and Mass Media Circular No. 2/2017 dated 21 December 2017	Eight vehicles had not been registered in the name of the Corporation by 31 December 2019 .	Vehicle registration rights are currently vested in the Ministry of Fisheries and Aquatic Resources Development and requests have been made in writing to transfer the ownership of these assets to the Ceylon Fishery Harbour Corporation by the Letter dated 21 June 2018 addressed to the then Secretary with the Secretary of the Chairman of the Corporation.	Vehicle registration should be done in the name of the Corporation as per the circular.	

- (k) Section 26 of the Value Added Tax Act No. 14 of 2002
- Although the value added tax should be paid before the last day of the month in which the tax period ends, the Value Added Tax of the Corporation amounting to Rs.10,317,782 had not been settled by 31 December 2019 .
- Payments are made in installments as discussed with the Inland Revenue Department.
- Actions should be taken to settle the taxes within the relevant period as per the Sections of the Tax Act

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a deficit of Rs. 71,111,703 and the surplus against the preceding year was Rs. 10,063,863 . Accordingly, a deterioration of Rs. 81,174,566 was observed in the financial result. The increase in institutional and administrative and staff costs by Rs. 56,357,457 had mainly attributed to this deterioration.

3. Management Inefficiencies

Audit Observation

- (a) In determining the monthly rent by the Corporation, forty perches of land in the Ambalangoda Fishery Harbour for the construction and maintenance of an ice plant at a monthly rent of Rs. 100,000 and 04 perches of land for running a lubricant shop for a monthly rent of Rs. 10,000 had been leased out to a private company in the year 2014 without obtaining assessment reports from the Chief Valuer.

Comments of the Management

It has been referred to Government Assessment and , actions will be taken to update the rent after receiving the relevant assessment reports.

Recommendation

When determining the rent of the Corporation, the assessment report of the government should be obtained and the decisions should be made as such accordingly.

- (b) Although the capacity of the fuel pumps according to the technical specifications should be 150 litres per minute, the capacity of the supplied fuel pumps was 138 litres per minute and as a result of non-use of fuel pumps installed by 11 March 2019 a sum of Rs.3,824,200 paid to the supplier was also a has become a useless expense. Further, necessary actions had not been taken regarding failure of supplying of goods as required and also supply of fuel pumps as required.
- The relevant institution has installed 08 pumps at Cod Bay, Dikowita, Beruwala, Galle, Mirissa, Puranawella, Kudawella and Ambalangoda Ports. Accordingly, the Corporation has utilized those pumps and although only the advance has been paid for that institution , any other amount has not been paid to that institution. Accordingly, it is informed that the value of the relevant pumps has exceeded the advance amount.
- The Corporation should always take actions to adhere to technical specifications when making purchases.
- (c) An agreement had been entered into with a private institution on 08 November 2017 at a cost of Rs. 11,363,000 to supply and install fuel tanks in 06 Fishery Harbours. Although it had delayed 506 days more than scheduled period , the fuel tank installation had not been completed as agreed and actions had not been taken to recover the liquidity damage of Rs. 11,703,809 from those responsible parties with regard to the period from 15 December 2018 which is the delay period to 28 March 2019 as at the date of the audit.
- The company had duly supplied the tanks to the ports. Nevertheless, it had to give more time than scheduled to be installed for those tanks because of the works on the tank installation sites had not been completed properly. The works of installation of tanks in 05 Harbours have been completed.
- Actions should be taken to recover the liquidity damages from those responsible for the delay in installation of fuel tanks.
- (d) An agreement had been entered into with a private company in 2014 to remove sand from the Panadura
- Necessary files were handed over to the Legal Department for taking legal actions to recover
- It is the responsibility of the management to identify the officials'

Fishery Harbour without obtaining approval and an advance of Rs. 20,000,000 had been given to the company without obtaining any bid security. Although the advance should be set off by the amount received from the sale of excavated sand by the private company, in accordance with the terms of the Additional Agreement dated 10 December 2015, even though the money had not been recovered until the end of the year under review, no legal action whatsoever had been taken even by the date of audit .

- (e) Despite the Corporation has the necessary vessels to remove the sand, although the contract was awarded on 23 October 2018 to a private company for 03 years to remove 20581 sand cubes, a contract agreement had not been entered into with the contractor. Although the total amount of sand to be removed was 20581 cubes of sand, a number of 3426 cubes of sand, or only 16 per cent, had been removed from 23 October 2018 to August 2020 and the purpose of the Corporation of maintenance of the Harbour Basin had not been fulfilled either due to failure to remove sand to allow fishing vessels to enter the fishery harbour as per the Gazette Extraordinary of the

the balance furthermore amounting to Rs. 16,894,354 out of the advance of Rs. 20,000,000 .

The Corporation has signed the relevant agreement with the contractor and a copy of it is submitted herewith. Because of the sand removal works were not done in accordance with the Award Letter, the relevant agreement was suspended on 10 February 2021 .

responsible for the losses incurred due to failure of complying with government regulations and to take further actions.

Actions should be taken to achieve the purpose of the Corporation of maintaining of the Harbour Basin also by removing sand to allow vessels to enter the fishery harbour.

Democratic Socialist
Republic of Sri Lanka dated
06 March 1997.

- (f) The Modara Fishery Harbour which had earned 73 per cent of the total operating profit before 2014 and it was leased out to a private company for a monthly rent of Rs. 125,000 based on the assessed value of a private valuer for a period of 25 years from 30 October 2014. Thereafter, although it had been agreed to charge a monthly rental of Rs. 1,700,000 to the Chief Valuer, in accordance with Terms 03 of the Supplementary Agreement entered into in between the Corporation and the Leaseholder on 10 June 2015, the Port Basin was not included in that assessed value. Accordingly, due to failure to charge the monthly rental by the Chief Valuer, although the Corporation should have received tax return of Rs.106,203,391 by the end of the year under review, no legal action whatsoever was taken to recover the money which was not received.
- The approval of the Board of Directors had been provided at the meeting held on 28 August 2020, for the termination of the aforesaid lease agreement and the Attorney General was communicated on the aforesaid decisions on 09 September 2020 in writing . In the letter sent to the Corporation on 23 September 2020 by the Attorney General's Department, it was requested that the letter of terminating the agreement be drafted and sent by the Legal Division and it is also informed that the relevant drafts have been prepared and sent to the Attorney General's Department.
- When leasing out the property of the Corporation, the lease rent should be levied according to the assessed value of the government by entering into formal agreements and agreements should be terminated and legal actions should be taken in the event of a long-term tax default.
- (g) The total prepaid balance as at 31 December 2019 was Rs.36,659,355 and Rs. 614,653 for 4 to 5 years respectively, Rs.11,551,997 for more than 5 years and Rs. 24,492,700 for more than 10
- It has been referred to a committee to look into the old balances and take necessary actions to settle those balances and once the committee receives the relevant documents, it will
- It is the responsibility of management to identify the officials responsible for damages occurred without complying

years and although it had allowed the private sector to use the assets of the Corporation as an illegal manner by this, the responsible officials had not been identified and legal action had not been taken so far.

(h) The Sayuri Vessel belonging to the Corporation had been deployed for excavations at the Oluvil Fisheries Harbour owned by the Ports Authority from 16 December 2016 to 09 March 2017. Nevertheless, an agreement had not been entered into for this and the amount of Rs. 24,840,000 to be received by the Corporation from the Ports Authority could not be able to recover so far.

(i) Even though an advance of Rs. 2,791,215 had been paid in 2007 to supply 06 fuel tanks valued at Rs. 5,065,075, without taking actions against the supply manager responsible for the non-receipt of the said fuel tank to the Corporation, the manager was reinstated and retired and actions had not been taken to recover the loss occurred. Although it has agreed to pay Rs. 1,745,385 by a judgement of District Court in this regard, only Rs. 1,500,000 had been recovered on 29 September 2020. Actions had not been taken to recover the remaining loss of

keep the journal entries required for accounting.

There have been several written requests made to recover the money from the Ports Authority. It is informed that the actions will be taken in future to recover that amount again.

There was a case No. 1041 / DMR pending in the Colombo District Court to recover the advances paid and out of the amount of Rs. 1,745,385 that had to be paid to the Corporation at the end of that case by that institution, about a sum of Rs. 1,500,000 had been paid on 29 September 2020. Similarly, a Board Paper dated 25 February 2021 was submitted to the Board of Directors for the write off the balance that could not be recovered from them amounting to Rs. 245,385 and it was decided that the relevant

with government regulations.

Agreements should be entered into in a formal manner when using the vessels belonging to the Corporation for the services of other institutions.

Bid securities should be obtained for the advances made in tenders for quantitative supplies.

Rs. 245,385 from the responsible parties.

officials would be responsible for the payment. It is informed that the relevant responsible officers have retired from the service by now.

3.1 Operational Inefficiencies

Audit Observation

Comments of the Management

Recommendation

(a) The Corporation had not taken actions to achieve the objective of providing repair and maintenance facilities for fishing vessels to the fishermen in terms of Section 2 of the State Industrial Corporation Act No. 49 of 1957 and the Extraordinary Gazette Notification of the International Socialist Republic of Sri Lanka dated 06 March 1997 .

Answers have not been given.

The Corporation should act to achieve its objectives in accordance with the provisions of the Act.

(b) Despite the Treasury Representative had pointed out in the Reports of the Meeting of Board of Directors that the Circular No. 380 Public Finance Circular dated 19 January 2000 is not applicable to the Ceylon Fisheries Harbour Corporation, a total of Rs. 7,031,121 had been paid in the year 2019 as consultation fees for 23 officers of the Corporation from the consulting services revenue amounting to

When taking actions to make the payment of consultancy fees of the Ceylon Fisheries Harbour Corporation, arrangements have been made to obtain the approval for this payment in July 2020 by submission of a Board Paper to the Board of Directors on 24 June 2020 based on Public Finance Circular No. 380 dated 19 January 2000 . However, Since the payments related to this have been suspended, we later found out that this

Payments should not be made on the basis of circulars which are not applicable to the Corporation and actions should be taken against the officers who had approved the payment and to recover the payments made.

Rs. 9,350,000 received for providing consultancy services for the construction of Mirissa and Chilaw Fishery Harbours without obtaining the approval of the General Treasury by the Corporation on the basis of those Circulars . Further, it was also observed that the provision of these consulting services was contrary to the objectives of the establishment of the Corporation.

circular does not apply to the Corporation .

(c) Although it had been instructed to make the Harbours profitable as per Directive No. 09 of the Committee on Public Enterprises held on 18 February 2014, the loss occurred during the year under review in 16 Harbours out of 21 Harbours in the year 2019 was 221,140,993 .

A committee has been appointed consisting of the top management of all ports and the Corporation and actions were taken to obtain project reports consisting of proposals from the relevant Harbour managers to make their Harbours profitable and to be implemented. Nevertheless, most Harbours have become loss-making Harbours due to the continuous increase in the salaries of the employees from the year 2016 to the year 2020.

Strategic decisions need to be taken to make long-term loss-making Harbours to be profitable.

(d) Although a committee decision had been taken to stop providing fuel on credit, the fuel valued at Rs. 22,868,579 had been supplied on credit basis during the year under review and the anchorage fees of Rs. 5,675,373 in Modara Fishery Harbour had also remained outstanding.

Providing of fuel on credit is not being carried out for fishermen and when accounting for the fuel sales at all Harbours, it is accounted for considering as it would happen on credit basis . A case has been filed in the Colombo Commercial Court to recover Rs. 5,675,373 due from a vessel anchored at the Modara

It should act on a system of suspension of fuel on credit and a systematic recovery.

- Fishing Harbour and it has been hearing by now.
- (e) Although the Committee had instructed to prepare the new recruitment procedure and submit it to the Cabinet of Ministers for the approval, the recruitment procedures had not been prepared and submitted at all for approval from the year 2014 to 2019 and the management had not taken steps to rectify those errors with regard to the payment of salary increments contrary to the circulars.
- The approval was received on 14 April 2018 for that after preparing and submitting the new recruitment procedure. A copy of is enclosed herewith.
- Management should take steps to rectify such errors in the payment of increments in contrary to the circulars.
- (f) The amount of Rs. 36,659,356 paid as pre-payments had not been charged for several years as per the Decision given by the Sub - Committee II of the 74th Meeting of the Committee on Public Enterprises held on 18 February 2014 and no legal action whatsoever had been taken in this regard.
- Since the balances are for more than 10 years old, a Committee has been appointed to look into the matter and take necessary actions to settle the balances.
- Actions should be taken by the Management to correct the prepaid balances for more than 10 years.