

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon Shipping Corporation Limited (“Company”) for the year ended 31 March 2023 comprising the statement of financial position as at 31 March 2023 and the statement of financial performance, 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 Company as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in Paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

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

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 skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 Company 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company.
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with Management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with Management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2. Non-Compliance with Sri Lanka Accounting Standard

	Audit Observation	Management Comment	Recommendation
(a)	Although when the entity take actions with relevant to the Accounting Standard on gratuity, it should be calculated and accounted for according to the Actuarial Technique in terms of Paragraph 57 (a) i of Sri Lanka Accounting Standards 19 (LKAS 19), the projected unit credit method, the calculation and accounting of gratuity of Rs.29,348,420 had not been made by the Company in accordance with the relevant Accounting Standard.	We have calculated the bonus by entering data into the EXCEL format prepared by the Institute of Chartered Accountants of Sri Lanka as per Sri Lanka Accounting Standard No. 19. The calculation is done automatically by accurate data entry and all documents related to that have been given to you by email.	The Management should take actions to calculate and account for gratuities according to Sri Lanka Accounting Standards 19 .
(b)	Although the when entity has a liability of outflow of resources as a	It is accepted that provision has not been allocated and it has been omitted to	The Management should take actions

	<p>result of a past event for which it has a present obligation and at the time of reliable estimate of that amount can be made, a provision should be made and disclosed in the final financial statements in accordance with Paragraph 14 of Sri Lanka Accounting Standard 37 (LKAS 37) on provision for contingent liabilities, a disclosure had not been made in the final financial statements of the year 2022/2023 in relation to the cases filed against the Company by 10 employees who were employed there.</p>	<p>be disclosed due to the fact that it was not reported to the Finance Division since it is not possible to make a reliable estimate of the potential outflow of resources for these proceedings as per Sri Lanka Accounting Standards and the amounts thereof and it is mentioned that the omission will be corrected in the financial statements in the future.</p>	<p>to comply with Sri Lanka Accounting Standards 37 and make relevant disclosures.</p>
(c)	<p>It was revealed in the audit that Rs.5,572,187 incurred for the Charter Hire Expenses of Coal Vessel related to the year 2021/2022 has been identified in the accounting year 2022/2023 and due to that, the loss for the year 2021/2022 had been understated by that amount and although the opening retained earnings in the statement of changes in equity should be retrospectively adjusted as prior year adjustments in terms of 42 (b) of Accounting Standard LKAS 08, it has been adjusted under direct expenditure in the year 2022/2023 and as a result, the loss in the year 2022/2023 had been overstated by that amount.</p>	<p>According to your explanation, the above expenditure related to the year 2021/2022 which is Rs.5,571,187.00 should be recorded as an expenditure of that year and this was informed by the Ship Charter Division of the Company when settling our invoices from Lanka Coal Company for the year 2022/23. Nevertheless, as the audit for the year 2021/22 had been completed it was adjusted to 2022/23 mistakenly due to not being able to account for the respective year (2021/22). Accordingly, it is agreed that the above cost of Rs.5,572,187.00 should be adjusted to the balance in the Profit/Loss Account for the year 2021/22</p>	<p>Actions should be taken to accurately account for transactions that required prior year adjustments as per Sri Lanka Accounting Standards 08 .</p>

1.5.3 Going Concern of the Company

Audit Observation

The loss for the year under review was Rs.1,857,129,766 as per the financial statements as at 31 March 2023 and the cumulative loss was Rs.10,855,139,608. Further, the value of the net assets of the Company was a negative value of

Management Comment

A recorded financial loss was incurred for the year 2022/2023 due to the unusual change in the exchange rate during the period from the date of obtaining a US Dollar loan from the People's

Recommendation

The Management should take actions to take financial loss mitigation measures taken at Extraordinary General Meetings to protect the going concern of the Company .

Rs.9,210,094,328 as at 31 March 2023. The loss for the year has decreased by 67.79 per cent as compared to the previous year and the negative balance of the net assets of the Company has increased by 16.37 per cent compared to the previous year. The Company had obtained a term loan of USD 70 million in 2014, for the purchase of two ships and USD 5.44 million as an interest capitalized loan to pay the interest on that loan from the People's Bank and incurring an exchange loss of Rs.2,811,891,329 in converting the US dollar loan balance to Sri Lanka Rupees as of 31 March 2023 due to be paid term loans, interest capitalized loans and related interest amounting to Rs.2,828,293,385 during the year ending March 31, 2023 to the Peoples Bank by the Company had caused to the total loss of the Company. Accordingly, it was observed that there was a clear indication of uncertainty regarding the going concern of the Company. Even though the Company had proposed measures in the Extraordinary General Meeting (EGM) held on 30 July 2021 to avoid this situation the Company had failed to implement measures to reduce the exchange loss and 06 new business projects had further been proposed for that at the Extraordinary General Meeting held on 24 March 2023 .

Bank to the conversion year.

The exchange rate exists at the time the relevant loan amount obtained was Rs.135 and, that value had increased to Rs.336.01 by now.

The Sri Lankan Rupee has depreciated by 12.38% against the US Dollar during the period 2022/2023. Nevertheless, the Sri Lankan Rupee had depreciated by 148.89% against the US Dollar in 2022/2023 when compared that figure, to the 2015/2016 period of time when the People's Bank vessel loan was obtained. This situation had made a direct impact on the exchange loss related to the related vessel loan, which is considered as a mandatory provision in the annual accounts of the Corporation in accordance with Sri Lanka Accounting Standards, which was calculated at Rs.2,811.89 million. In addition to the respective exchange loss, effect of the 18 other reasons which were mainly affected for indicating of a negative value in the net asset value of Rs.9,210,094,328/- of the Corporation had been mentioned.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Management Comment	Recommendation
<p>(a) The value of trade receivables due to Ceylon Shipping Corporation Limited as at 31 March 2023 according to the statement of financial position, is Rs.2,070,761,878. Out of which, an amount of Rs.1,034,044,153 cannot be recovered for more than 4 years and Rs.257,530,960 are unrecoverable from 1 to 4 years and the value of trade receivables incurred during the year 2022/2023 was Rs.779,186,765. Among the above trade debtors, the amount receivable to the Company from local government and semi-government institutions is Rs.1,525,359,729 and from that also, it was revealed that a sum of Rs.618,045,453 is debtors for more than 03 years old and the balance due from foreign and other trade debtors more than 03 years old as at 31 March 2023 is Rs.163,752,420 .</p>	<p>Agree with the statement of the Audit.</p>	<p>The Management should take actions to adopt a proper internal control system for collection of money from debtors.</p>
<p>(b) Although all claims of delay/retention payable to the Company, should be paid within thirty (30) days after completion of loading or unloading according to Paragraph 19 of the Coal Transport Agreement entered into on 21 September 2021 between Ceylon Coal (Private) Company Limited and Ceylon Shipping Corporation Limited, the Company has 02 invoices valued at Rs. 3,728,788 that could not be recovered even by 14 August 2023.</p>	<p>Ceylon Coal Company has to pay more than Rs. one billion including these delay charges. The Corporation has taken every effort to do so. As one of the results, a committee was appointed to recover the debt and the said committee also recommended that this money should be paid to Ceylon Shipping Corporation. But still it was impossible to recover the amount.</p>	<p>The Management should take actions to adopt proper internal control system for collection of money from debtors.</p>

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Paragraph 11.1 of Public Finance Circular No. 01/2020 dated 28 August 2020	Although the Annual Board of Survey Report related to 31 March 2023 should be forwarded to the Auditor General before 30 June 30 of the next financial year, the Company had not taken actions to complete the removal of 133 scrap items and other functions related to that even by the date of audit.	As mentioned in the report of the Board of Survey, actions are being taken to collect and estimate the scrap materials.	Actions should be taken to carry out the Boards of Survey within the relevant period and refer it to the Auditor General as per instructions in Public Finance Circular.
(b) Section 16.2 of the National Audit Act No. 19 of 2018 and Section 6.6 Operational Manual of Public Enterprises Circular No. 01/2021 dated 16 November 2021	Although the Company shall submit the Draft Annual Report along with the financial statements to the Auditor General within 60 days of the end of the accounting year, the financial statements Company were submitted to the audit on 16 August 2023, with a delay of more than two months .	It is agreed with the relevant statement. We have submitted the financial statements for audit on 16 August 2023 .	Actions should be taken by the Company to submit financial statements during the relevant period after the end of the accounting year as per the instructions of National Audit Act and Public Enterprises Circular.
(c) Section 3.2 Operational Manual of Public Enterprises Circular No. 01/2021 dated 16 November 2021	A total of Rs.15,209,673 had been paid by the Company for entertainment allowance, travelling allowance and attendance allowance during the year under review without having formal approval.	The current entertainment allowance, transport allowance and attendance allowances entitled to the payments herein have been made with approval till now from 01 April 2018, according to the decision given for Board Paper No. 36/2018 at the 231st Board of Directors meeting held on 27.02.2018 under No. 05 of the Procedural Rules of the Institute	As Ceylon Shipping Corporation is a fully government-owned company, so it must comply with Public Enterprises Circular, a formal approval should be obtained for the respective allowances.

2. Financial Review

2.1 Financial Results

The operational result for the year under review was a loss of Rs. 433,605,111 and the corresponding loss for the preceding year was Rs. 4,567,786,074. Accordingly, a growth of Rs. 4,134,180,963 was observed accordingly in the financial result. The decrease of direct expenses by Rs. 2,452,659,820 that is 43 per cent and financial expenses by Rs. 2,427,000,405 or 36 per cent and increase of other income by Rs. 364,031,003 that is 77 per cent had mainly attributed for this improvement.

3. Operating Review

3.1 Identified Losses

Audit Observation

The following matters were revealed regarding the shipwreck of Mv Ceylon Breeze.

- i. The total loss occurred to the Company was approximately Rs.16,999,188 due to collision of Mv Ceylon Breeze with a fishing vessel in Jiangning Port, China in 2020. Due to the deductible value as per the agreement related to the insurance coverage of this ship was USD 100,000, the Company had to bear it because the above loss is lower to that value. Further, as the ship once again collided with the ship Leopold on 06 June 2021 in Singapore, the loss related to the accident had not been calculated even as at the date of this report.

Management Comment

If the legal action is carried forward with the Chinese court, not only the damages to be paid for the damage to the fishing vessel, but also our legal fees, the legal fees of the Chinese vessel and our Mv. We also have to bear the damage to the ship Ceylon Breeze.

Accordingly, the dispute was settled through a legal settlement of RMB 135,000/- (USD 20,149/-) in order to prevent further losses to the Shipping Corporation with the approval of the Management of the Shipping Corporation and Board of Directors. after considering the advice.

Further, a basic condition is that the loss of our ship is less than the deductible value of US\$ 100,000/- according to the insurance policies entered at that time, our Corporation has to bear the loss of the ship.

Recommendation

Formal and expeditious methods should be used furthermore to obtain compensation for losses in case of damage to the Company's ships in maritime accidents.

- ii. It was revealed that the actions had not been taken to investigate on the damage to the ship and to identify the responsible parties and although the full details of the damages should have been reported to the Department of Public Finance in terms of Paragraph 2.3 of the Finance Circular No. 01/2020 dated 28 August 2020, it had not been so done .
- The Annual Statement of Accounts of the Shipping Corporation has been included in the Annual Report 2020/2021. Further, Board of Directors Meeting 261 and Board of Directors Meeting 262 have been informed about the incident in writing by referring the Board of Directors papers.
- Actions should be taken to submit information regarding ship damage to the Public Finance Department of the Treasury as per the instructions mentioned in the relevant circular.
- Similarly, a representative of the Treasury shall attend every Meeting of Board of Directors representing the Treasury and all Board Papers Notes and Decisions are communicated in writing.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
<p>(a) All government agencies should import goods through Ceylon Shipping Corporation Limited according to the Cabinet Decision No. CMP 16/0035/737/003 dated 21 January 2016 and the provisions of Public Finance Circular No. 415 dated 06 May 2005 and there, Company should give priority to government institution. In examining the number of establishments and number of cases of importation of public sector goods during the 4 years from 01 April 2019 to 31 March 2023, it was observed that the number of establishments and opportunities for importing goods through Ceylon Shipping Corporation Limited is relatively decreasing. Details are as follows.</p>	<p>Agree with the number of cases of public sector freight through the Shipping Corporation in the financial years 2019/20, 2020/21, 2021/22 and 2022/23. The Shipping Corporation has already organized regular awareness and discussions with the entities that carry out, partially carry out and do not carry out freight as in the previous years, in the 2018/19 financial year, the Corporation was able to achieve a high performance level. Nevertheless, due to the direct and indirect impact of bad situation not only in the country but also in the entire world, the number of cases transported</p>	<p>The Management should take relevant actions to make freight through Shipping Corporation in case of importation of goods through ships by government agencies.</p>

	<table border="1"> <thead> <tr> <th>Year</th> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> </tr> </thead> <tbody> <tr> <td>No. of Institutions</td> <td>28</td> <td>22</td> <td>23</td> <td>27</td> </tr> <tr> <td>No. of Imports</td> <td>2,357</td> <td>1,925</td> <td>1,300</td> <td>821</td> </tr> </tbody> </table>	Year	2019/20	2020/21	2021/22	2022/23	No. of Institutions	28	22	23	27	No. of Imports	2,357	1,925	1,300	821	<p>through the Corporation decreased numerically in the financial years 2020/21, 2021/22 and 2022/23. There were 10 main reasons affect for that.</p>	
Year	2019/20	2020/21	2021/22	2022/23														
No. of Institutions	28	22	23	27														
No. of Imports	2,357	1,925	1,300	821														
(b)	<p>Ceylon Shipping Corporation shall issue a notice of abandonment only in the event that the Company fails to transport the import goods in the most favorable manner to the Government as per the provisions of Public Finance Circular No. 415. Although the shipping charges incurred by the Company are higher than the shipping charges agreed upon by the supplier, the importer should be notified by a waiver notice, apart from the terms of the circular, as 319 in 2019/20, 298 in 2020/21, 185 in 2021/22, and 118 in 2022/23 by the Company due to request of post-shipment waiver notices, offering procurement on CIF prices due to rush purchase and other reasons the waiver notices had been issued.</p>	<p>Out of the total number of Waiver notices issued by the Corporation, a very large number are issued under this category. Institutions related to the health sector have been identified as the main institutions related to that. This has affected the various policies and measures followed due to the structure of those institutions as well as the number of the imported goods.</p> <p>When the goods have been transported at the supplier's discretion during the importation of the goods, the necessary documents for the goods and the Letters of Credit have to be obtained from the bank that has issued the Letters of Credit and the Waiver Notices have to be issued for clearance without incurring late fees.</p> <p>However, if inquiries are made to us by the relevant agencies for normal freight prior to shipping, it may be possible for the shipping company to perform the related freight activities and there was also a possibility of reducing the amount of foreign exchange outflows and saving some amount of foreign exchange in the country. It can be done only if the relevant procurement agencies take care of this during the procurement process such as preparation of bid documents.</p>	<p>The Management should take relevant actions to make freight through Shipping Corporation in case of importation of goods through ships by government institutions.</p>															

(c)	<p>As a fully state-owned Company, the Company is responsible for developing the Company's profitability through public sector import freight, as well as transferring the state imports carried out by foreign shipping companies to the Company on a competitive shipping rate system, due to freight charges of the Company increase over shipping charges of suppliers involved in importation, these waiver notices 174, 163, 150 and 67 of had been issued within 4 years from the year 2020/19 to 2022/23 respectively.</p>	<p>Although many suppliers have mentioned unrealistic freight rates in their bid documents such freight rates do not exist in the shipping industry exactly. The main reason for this may be that the supplier has added part of the freight charges to the FOB price or the cost of the product instead of mentioning the accurate and freight charges in quoting the CIF price.</p> <p>The situations that call for long-term validity can also be often seen for prices offered after procurement activities followed in various imports and there is also the practical problem of inability of providing long-term validity to lowest prices in the highly volatile marine market also exists. Such irregularities have greatly affected the actual intensity of the above circular.</p>	<p>It should follow a proper pricing methodology to receive freight to the Company under the highly competitive atmosphere in the marine industry.</p>
(d)	<p>The handling, packing, freight and disposal of import and export luggage belonging to diplomatic officials related to the Ministry of Foreign Affairs is carried out by Ceylon Shipping Corporation Limited although the decision on the relevant prices should be made by Ceylon Shipping Corporation Limited the Company providing the service, it was revealed that the prices are fixed as per letter dated 25th January 2023 dated FA/OAM&D/HD/CSC/GEN from the Director General of the Ministry of External Affairs.</p>	<p>The belongings of the diplomatic officers who are appointed to serve in the Sri Lankan Ambassador, High Commissioner and Consul offices operating under the Ministry of Foreign Affairs are met by the Ceylon Shipping Corporation Limited under the service category called Door-to-Door basis and discharging Port to Door service is also provided for the officers who are coming at the completion of their diplomatic service. Payments for services rendered by the Corporation will be made as per price levels approved by the Ministry of Foreign Affairs and the prices are revised from time to time in</p>	<p>The Management should take actions in collaboration with the Ministry of External Affairs and revise the relevant fees as indicated in the reply.</p>

		<p>response to the demands made by the Corporation in accordance with the changes in various factors affecting the services provided. Although requests were made in writing on 31.05.2022, 05.07.2022 and 20.10.2022, in addition to the discussions held between the two parties, to increase the fees for our services in a way that suits the unexpected changes in the economy, the approval has been given to increase the fare by approximately 25% has been given.</p>	
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3.3 Procurement Management

Audit Observation

Management Comment

Recommendation

<p>(a) It had been entered into a contract of USD 102,000 to implement a Computer Based Ship Management System for the company's ships on 10 November 2020 by the Ceylon Shipping Corporation Limited with TERO MARINE ASIA PACIFIC PTE LTD. for a period of 6 years. It had been planned to implement this system in 03 phases in the first year and even though 3 years had passed since the system was established for 02 ships by spending Rs. 4,466,295 as Rs.2,903,208 (USD 15,400) for its advances and Rs.1,563,087 (USD 7,700) for system design acceptance, this computer system was not operational and due to actions were not taken by the Management to conduct a review on whether it will be utilized for the future operations of the Company or not, the related expense had become a futile expense.</p>	<p>It is agreed with the observations indicated and there has been some delay due to the Covid 19 pandemic in 2020. The Management has reviewed that this computer system is important in the management activities related to ships. The Technical Superintendent has been instructed to complete this project as soon as possible.</p>	<p>A review whether this computer system will be used or not for the future operations of the Company should be carried out by Management and a formal decision should be taken.</p>
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(b) Awarding of the contract had not been recommended due to the matters such as non-submission of a valid Seaworthiness Certificate or Classification Society Certificate obtained from a member society of the Federation of International Classification Societies, failure to respond significantly in the technical evaluation according to the Technical Evaluation Committee Report for 02 boat services selected after calling for bids to provide various services to ships freight coal to Puttalam Lakwiyaya Power Plant. Similarly, it was confirmed during physical inspection of boats carried out by Designated Person Ashore-DPA that these two bidders did not meet the criteria mentioned in the bid invitation and, there is a situation where only these two boat suppliers are submitting bids from the year 2014/15 up to now and this procurement was awarded on 21 September, 2022 at the prices submitted by the two applicants considering the service requirement based solely on the existing service reliability of these suppliers. The procurement was awarded to both these suppliers for this service in the year 2023/24 as well and it was observed that there is a problem with the safety of the officers traveling there and, there is a risk of getting insurance benefits in the event of an accident because of those deficiencies due to non-fulfillment of tender criteria relating to boats.

Tenders were formally called in the national newspapers with transparency to get boats for ships which transports coal to Puttalam LakVijaya Coal Plant. There, the Technical Evaluation Committee had announced that the tender applicants did not fulfill the required qualifications and the approval had also not been given. Nevertheless, the other qualified candidates have not appeared in the last few years either and the same happened this time.

Accordingly, this procurement was awarded with the consent of the Management of the Company considering their long experience and the documents submitted. Similarly, considering this as a national interest and since there is no other alternative method, that decision was taken by the respective Management.

In this, the respective boat owners provide the life jackets recommended for each officer to travel for the safety of the officers. It has provided security for their journey.

In addition to newspaper advertisements, formal actions should be taken by the Management to inform the people of the respective area and to get further bids and to minimize the existing deficiencies in the service.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Observation	Management Comment	Recommendation
<p>(a) Although Strategic Plans should be formulated in terms of Paragraph 2.3 of the Guidelines of Public Enterprises Circular 01/2021 dated 16 November 2021, actions had not been taken accordingly. The Board of Directors had not taken actions to update Five Year Corporate Plan from 2018/2019 to 2022/2023 adapting to changes in the business environment.</p>	<p>Five Year Plan 2018/19 - 2022/2023 has been sent to the General Treasury on 06.12.2018 and arrangements have been made to provide the annual update report for the year 2023/2024 on 12.08.2019. Due to working from home and shift work in the office because of the Covid epidemic situation, although the preparation of annual update reports related to the Five Year Plan is delayed, we would like to inform that the 2023/24 - 2027/2028 Five Year Plan is currently being prepared.</p>	<p>Actions should be taken to prepare the Strategic Plan in order to achieve the mandatory objectives of the Company within the national policy frame work as per the relevant circular instructions of the Company.</p>
<p>(b) Seven proposed new business plans had been shown in Paragraph 4.2 of the 2019/2018 - 2022/2023 Corporate Plan. Although 05 activities out of them were planned to be achieved in 05 years from 2018/2019 to 2022/2023, it had failed to achieve those activities and actions had not been taken to identify new business opportunities as well.</p>	<p>Although related activities are being carried out for the implementation of the projects mentioned here, the execution of them was suspended under the circumstances set out in the reply under each point.</p>	<p>Actions should be taken to implement the business plans mentioned in the Corporate Plan or new business plans identified.</p>

4.2 Annual Action Plan

Audit Observation	Management Comment	Recommendation
<p>The Company had not meaningfully set Goals and Performance Indicators in the Annual Action Plan regarding the sources of income and in setting the Goals of the year under review without caring about the planned goals and, easily achievable goals were set and performance was measured based on that in setting the performance goals of the Company</p>	<p>The two ships owned by Ceylon Shipping Corporation were not used for transporting coal to the Coal Company and utilized to generate more charter rental income through</p>	<p>The Management should take actions to prepare the Action Plan so that the desired objectives of the organization can be achieved.</p>

without considering the planned goals and actual situation of the previous year while setting targets for the year under review. In addition, the Company had also included the sources of income which are not generated during the year while identifying the sources of income in the Action Plan. The details are as follows.

Revenue Source	As per Action Plan		Actual Performance	
	Income	Expenditure	Income	Expenditure
Carriage of Coal	3,128	2,675	-	-
Charter Hire Income	2,293	816	5,337	1,893
Address Commission on Freight	72	-	-	-
Address Commission on Lightering	472	-	314	-
Provision of agent services for ships supplying coal	41	-	15	-
Transportation of Containerized Cargo	564	496	760	611
Customs clearance and delivery	20	12	67	47

international trade. As the time to transport the coal of Ceylon Coal Company has also utilized to earn charter rental income, charter hire income of the Corporation has increased. Due to the inability to match & win the shipping charges given by that company to Ceylon Shipping Corporation Ltd., this expected revenue of Rs.72 million could not be earned. Further, the main reason for the decrease in Address Commission on Lightering revenue was because the quantity of imported coal was less than the contracted quantity. It was expected to freight about 37 cargoes of coal and only 23 cargoes of coal could be freight. In calculating expected income as Rs.564 million by carriage of containers through businesses carried out by non-regular shipping service, a target has been formulated considering all the factors affect to it. All the points mentioned above are the reasons to rise the expenses for cargo clearance, in-country freight, unloading and all other services also.