Ceylon Fisheries Corporation - 2020

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Ceylon Fisheries Corporation for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and statement of comprehensive income and 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 the provisions of the National Audit Act No.19 of 2018 and the 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 financial statements of Corporation. Because of the significance of the matters described in paragraph of basis for disclaimer of opinion, 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 the Disclaimer of Opinion

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 responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of my report. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit 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 determines 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 stability 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 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 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 objective is to issue an auditor's report on the financial statements of Corporation based on the audit carried out in accordance with Sri Lanka Auditing Standards. Because of the significance of the matters described in paragraph of basis for disclaimer of opinion, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.5 Audit observations regarding the preparation of financial statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

	Non-compliance with reference to the relevant standard	Comments of the Management	Recommendation
(a)	Although the management is required to assess the ability of the entity to continue as a going concern in preparing the financial statements in accordance with paragraphs 25 and 26 of Sri Lanka Accounting Standard 1, such an assessment of the entity's ability to continue as a going concern had not been made and disclosed in the financial statements, despite the existence of events and conditions that cast significant doubt on the entity's ability to continue as a going concern, including the Corporation's net losses from continuing operations, a negative net difference in cash and cash equivalents, trade and other payables of Rs.1 050 million and an impaired balance of trade and other receivables of Rs. 18 million.	An issue has not arisen regarding the going concern status of the business and management has decided to disclose this information in the upcoming financial statements.	Actions should be taken in accordance with Sri Lanka Accounting Standards.
(b)	Although cash flows arising from financing activities should be disclosed separately in accordance with paragraphs 17(c) and (d) of Sri Lanka Accounting Standard 7, the net effect of Rs. 185,000,000, which was the net effect of Rs. 245,000,000, and the repayment of loans of Rs. 60,000,000, obtained in the year under review, had been recognized in the cash flow without being disclosed separately under financing activities.	Management has decided to separately identify and present cash generated from financing activities and financing cash payments in the cash flow statement in the preparation of future accounts as mentioned by the auditors.	According to Sri Lanka Accounting Standards, actions should be taken to disclose cash flows arising from financing activities separately.

(c)	Although paragraph 51 of Sri Lanka Accounting Standard No. 16 requires the residual value and useful life of an asset to be reviewed at the end of each reporting period, the necessary adjustments had not been made in the financial statements in accordance with the standard in respect of the motor vehicles with a residual value of Rs. 154,139,500 and a carrying value of nil.	Management has decided to review the useful life of assets used in accordance with Sri Lanka Accounting Standards No. 16 and adjust them as per Sri Lanka Accounting Standards No. 08 as a change in accounting estimates in preparing future accounts.	Actions should be taken to review the residual value and useful life of an asset at the end of each reporting period according to Sri Lanka Accounting Standards.
(d)	Although adequate disclosure should be made in the financial statements regarding pledged as security for liabilities in accordance with paragraph 74 (a) of Sri Lanka Accounting Standards No. 16, any disclosure had not been made in the financial statements regarding the assets pledged as collateral for obtaining bank overdraft facilities of Rs. 75,000,000 obtained by the Corporation from 2013 to 2014.	I hereby submit the letter sent by the Bank of Ceylon regarding pledged as security for liabilities for bank overdrafts and loan facilities.	Adequate disclosures should be made in the financial statements regarding pledged as security for liabilities in accordance with Sri Lanka Accounting Standards.
(e)	Adjustments had not been made in respect of the cold storage facilities worth Rs. 252,352,500 which were in a non-working condition in accordance with paragraph 63 of Sri Lanka Accounting Standards 16 and paragraph 9 of Sri Lanka Accounting Standards 36.	Comments had not been made.	Necessary adjustments should be made regarding assets as per Sri Lanka Accounting Standards.
(f)	In accordance with paragraph 74 (b) of Sri Lanka Accounting Standards 16, as work in progress with a carrying value of Rs. 28,130,402 was accounted under property, plant and equipment in the statement of financial position since 2017, Property, plant and equipment had been overvalued at that value.	Although Construction of a building for fish processing has begun, further work on it has been abandoned at present. Management has decided to make the necessary accounting adjustments in this regard in the coming year and present them in the financial statements.	Actions should be taken to account work in progress in accordance with Sri Lanka Accounting Standards.
(g)	Although contrary to paragraph 9 of Sri Lanka Accounting Standards 36, the joint investment of Rs. 110,000,000 made with a Russian company in 2003, which is included under non-current assets,	Legal action has been initiated to recover the property transferred by the institution for joint ventures	Actions should be taken to make a valuation of the relevant

	is currently in an inactive state, any valuation was made and the relevant provisions had not been made in this regard.	and the management has decided to make the necessary accounting adjustments in the upcoming financial year and adequately disclose this in the accounts.	investment in accordance with Sri Lanka Accounting Standards.
(h)	Although the profit or loss, including income and expenses of the reported sub-segments of a business should be disclosed in the financial statements in accordance with paragraphs 21, 22, 23 and 24 of Sri Lanka Financial Reporting Standards 08, the profits and losses of 56 segments, including the Corporation's Executive, had not been separately disclosed.	In preparing future accounts, management has decided to disclose the profits and losses of the Corporation's executives and other divisions separately in the financial statements.	Actions must be taken in accordance with Sri Lanka Financial Reporting Standards.
(i)	Financial assets should be initially measured at fair value in accordance with 5.1.1 of Sri Lanka Financial Reporting Standard 9 and further, when loans are provided at concessional interest rates and the difference between the fair value of the loan and its nominal amount should be recognized in the accounts as an employee benefit in accordance with Sri Lanka Accounting Standard 19, however the employee loan of Rs. 4,443,883 as stated in the statement of financial position had not been dealt with accordingly. Further, although the balance of the distressed loan as per the financial statements was Rs. 4,443,883, there was a difference of Rs. 824,443 from Rs. 3,619,439 as per the summary of loan balances,.	Management has decided to make the necessary accounting adjustments to future accounts as per Sri Lanka Accounting Standard No. 9 5.1.1 and to account employee loans provided at concessional interest rates in future as per Sri Lanka Accounting Standard No. 19. Further, management has been managed to adjust the discrepancies in the disaster loan balance to future accounts.	Financial assets should be initially measured at fair value, with necessary adjustments made for the change in the distressed debt balance according to Sri Lanka Financial Reporting Standards.

1.5.2 Accounting policies

Audit Observation	Comments of the Management	Recommendation
Although the investment properties leased to other parties owned by the Corporation should be valued by a qualified valuer once in every five years, an assessment had not been conducted and accounted after 2013 for investment properties worth Rs. 69,374,150.	This work has been delayed due to the financial difficulties faced by the institution. However, the management has decided to act in accordance with the audit instructions and make corrections in the preparation of future accounts.	Actions should be taken to act in compliance with the accounting policies disclosed in the financial statements by the corporation

1.5.3 Accounting deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Although the interest payments by the Corporation during the year under review were Rs. 8,674,215, the interest payments in the cash flow statement were Rs. 7,454,050, indicating an increase in operating activities by Rs. 1,220,165.	The amount of Rs. 7,454,050 shown as interest payments in the operating activities in the cash flow statement of the final accounts in the year 2020 is the net amount after adjusting the finance income of Rs. 1,220,165 and the finance expense of Rs. 8,674,215. Arrangements have been made to present interest expenses separately in the preparation of future financial statements.	Actions should be taken to prepare the cash flow statement correctly.
(b)	Although the investment was Rs. 10,000,000 in fixed deposits and withdrew Rs. 11,147,828 from fixed deposits during the year under review by the Negombo Region, only a sum of Rs. 167,260 had been identified as investment in fixed deposits without separately identifying these activities in the cash flow statement.	The net effect of the ledger accounts has been shown and I will take actions to carry out the accounting activities as stated in the audit when preparing the accounts for future accounting years.	Transactions in investing activities should be presented separately in the cash flow statement.
(c)	Although the gratuity paid during the year under review was Rs. 1,000,246 and as the amount in the cash flow statement was Rs. 6,391,220, operating cash flow had been understated by Rs. 5,390,974.	Management has decided to present the errors that occurred in the preparation of the cash flow statements correctly in the preparation of future accounts.	Cash flows should be properly identified as gratuity payments in the cash flow statement.
(d)	Although Rs. 8,228,071 had been paid for the construction of fish stalls during the year under review, a sum of Rs.2,472,324 had been identified as cash flow in the cash flow statement.	Actions will be taken to make correct adjustments to the cash flow statement in future accounting years and to disclose that information in the financial statements.	The cash paid for the construction of the stalls should be properly identified in the cash flow statement.
(e)	The loss for the year under review was recorded under the same amount and current assets were recorded under the same amount due to the packaging stock shortage of Rs. 2,558,029 being	Management has decided to remove this packaging stock shortage from the inventory and adjust the	Actions should be taken to account the packaging stock shortage that has

	recorded under current assets.	accounts and we will take actions to adjust this shortage correctly in the accounts when preparing future accounts..	been coming for several years accurately.
(f)	Although the transactions arising from the transactions among the accounts of regions should have been zero at the end of the period, the balance of Rs. 21,842,521 had been included in the debtors' balance as an unreconciled balance without any settlement in the year under review.	This balance has been left over due to unresolved issues regarding transactions among accounts of regions and the executive is already working on checking current accounts and making accounting adjustments.	Action should be taken to settle the outstanding balance that has been outstanding for several years.
(g)	Although the recovery of balances receivable from 25 hospitals amounting to Rs.1,425,222, which were more than 10 years old, was uncertain due to the provision of substitute fish instead of the fish ordered by the hospitals, impairment losses had not been identified.	Although letters have been submitted to the hospitals to recover this balance, the Ministry of Health has refused to make the payment. This balance is more than 10 years old according to the age analysis.	Actions should be taken to promptly recover the balances due from the 25 hospitals and to make adjustments for impairment losses.
(h)	Although a sum of Rs. 34,945,139, a balance of suspense account which had been pending for many years, had been recorded under trade and other payables, actions had not been taken to settle this balance.	Arrangements have been made to settle the balance of the suspense account as per the auditors' observations and management has decided to make these adjustments in the preparation of future accounts.	Action should be taken to resolve the suspense account balance.

1.5.4 Unreconciled control accounts or reports

	Item	Value according to financial statements Rs.	Value according to corresponding reports Rs.	Difference Rs.	Comments of the Management	Recommendation
(a)	Trade and other receivables balance	280,803,912	258,457,012	22,346,900	Since the Puranawella, Wennappuwa and Dried Fish project sectors have been closed for a long time, it is impossible to find the relevant information.actions will be taken to find this information and reconcile the balances in the future.	Actions should be taken to investigate this information and reconcile the balances In the future.
(b)	Trade payables balance	321,947,802	327,867,860	5,920,058	Since the Puranawella, Wennappuwa Dried Fish project sectors are currently inactive, only a ledger balance remains. It is not possible to find the relevant information, and actions will be taken to find this information and reconcile the balances in the future.	Actions should be taken to investigate this information and reconcile the balances In the future.

1.5.5 Lack of written evidence for audit

	Item	Amout Rs.	audit evidence unprovided	Comments of the Management	Recommendation
(i)	Other trade receivables	66,304,514	Debtor age analysis	The institution does not have sufficient and competent audit evidence for some of the older accounts as indicated by the auditors and existing audit evidence has been	The necessary written evidence should be submitted to the auditor to verify the balance.
(ii)	Miscellaneous debtors	8,401,785	Detailed schedules		
(iii)	Inactive loan balance included in receivables	17,652,663	Reasons for schedules, age analysis and inactive balances		

(iv)	Trade receivables	223,563,341	Balance confirmations	provided for some of the matters mentioned above. Existing audit evidence should also be provided for the remaining accounts.	
(v)	Trade payables – Inactive loan balance	22,888,294	Detailed schedules		
(vi)	Trade payables	237,931,473	Balance confirmations and age analysis		
(vii)	Miscellaneous Creditors	47,812,579			
(viii)	Employee Security Deposits	13,173,166	Detailed schedule		
(ix)	Other deposits paid in advance	11,925,206			
(x)	Loans and loan payments	142,922,000			
(xi)	Oother deposits (repayable)	27,566,035	Detailed schedules, age analysis		
(xii)	Creditors	26,555,149	Detailed schedules, balance confirmations, source documents required to verify relevant balances, age analysis		The necessary written evidence should be submitted to the auditor to verify the balance.
(xiii)	Miscellaneous income	3,189,252	Detailed schedules	The institution does not have sufficient and competent audit evidence for some of the older accounts as indicated by the auditors and existing audit evidence has been provided for some of the matters mentioned above. Existing audit evidence should also be provided for the remaining	
(xiv)	Other allowances	5,571,019			
(xv)	Fixed deposits	10,200,000	Certificates of Deposit, Deposit Renewal Notices and Board of Directors Approvals		
(xvi)	Overdraft balance of 9 bank current accounts	1,015,670	Balance confirmations		
	A favorable balance applicable to 19 bank accounts	44,253,164			
(xvii)	Bank overdraft	48,528,540	Approval of Board of Directors		

(xviii)	Non-current assets	499,045,595	Asset survey reports	accounts.
(xix)	Amount payable to related parties.	9,939,536	Contracts and age analysis	

1.6 Accounts Receivable and Payable

1.6.1 Receivable

	Audit Issue	Management Comment	Recommendation
(a)	Out of the trade and other receivable balances amounting to Rs. 258,457,012, a balance of Rs. 65,710,850 was outstanding for a period between 5 and 10 years, while a balance of Rs. 17,686,140 was outstanding for more than 10 years	In 2017, a request was made through a Board paper to take a decision regarding the debtor balances outstanding for more than 5 and 10 years; and a proper solution has not yet been provided, and necessary action will be taken in this regard in the future	Action should be taken to recover trade and other receivable balances without delay.
(b)	A cheque fraud amounting to Rs.502,000, which has existed since 2015, was accounted for as a receivable balance, and no action has been taken to rectify it.	Management has decided to take appropriate action regarding the balance related to this very old cheque fraud.	Appropriate action should be taken promptly regarding the balance related to the cheque fraud.
(c)	As of the date of the report, appropriate action had not been taken to recover the balance of Rs. 5,367,000 due from the Cooperative Wholesale Establishment fish supply organization.	It has been informed by a letter dated 25 September 2017, signed by the Chairman of Lanka Sathosa Limited , that Board of Directors of Sathosa would not pay the relevant amounts and make arrangements to write off the amount from the books although several written requests have been made to provide the funds retained as gondola.	Agreements related to this receivable balance should be examined, and necessary adjustments should be made in the financial statements.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
Out of the trade payable balances amounting to Rs. 172,852,137, a balance of Rs. 99,523,305 was outstanding for more than 1 year but less than 2 years, while a balance of Rs. 73,328,832 was outstanding for more than 2 years.	According to the age analysis report, there are significant balances outstanding for more than 1 year but less than 2 years, and for more than 2 years. Since several regions have been closed and no payments have been made by them, due to the adverse financial position prevailing in the Ceylon Fisheries Corporation, it has not been possible to settle the old balances.	Action should be taken to settle the trade payable balances.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendations
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
Paragraph 371 (5) and Section 9 of the Public Finance Circular No 01/2020 dated 28 August 2020	Although sub-imprest given to officers should be settled within 10 days from the date of completion of the task, the total of Rs. 1,102,060 sub-imprest given to 108 officers had been settled with delays ranging from 1 day to 271 days.	During the COVID-19 pandemic situation in 2020, the employees of the Ceylon Fisheries Corporation did not report for duty as scheduled. Consequently, the imprest obtained(by 108 officers) during that period was also delayed to settle.	Action should be taken to settle the sub-imprest within the prescribed time frame in accordance with the circular.
(b) Section 16(2) of the Financial Act No 38 of 1971	Although the approval of the subject Minister and the Minister of Finance should be obtained when obtaining bank overdraft facilities, the Corporation had obtained overdraft facilities	Management has decided to obtain the approval of the subject Minister and the Minister of Finance when obtaining bank overdraft facilities in the future.”	Action should be taken in accordance with Section 16 (2) of the Finance Act.

	amounting to Rs. 48,528,540 as at 31 December of the year under review without such formal approval		
(c) Sub-section (5) (1) of part (ii) of the Gratuity Payment Act No 12 of 1983	Although gratuity payments due to entitled employees should be settled within 30 days from the date of their retirement, the Corporation had failed to do so. As a result, the gratuity payable balance as at 31 December of the year under review amounted to Rs. 13,315,779, while the surcharge for the year under review was Rs. 1,988,869, making the total surcharge payable Rs. 3,188,430 as at the end of 2020. Furthermore, as at 30 April 2025, the outstanding gratuity and surcharge balances amounted to Rs. 22,183,769.	Due to the financial crisis that prevailed in the Ceylon Fisheries Corporation, a gratuity balance remained outstanding and as there is a possibility of improvement in the financial position in the future, action is being taken to settle these payments as soon as possible.	Should act as per the Gratuity Payment Act and action should take to make the payments of Gratuity.
(d) Section 18 (4) of the National audit Act No 19 of 2018	Audit fees should be settled within 30 days from the date of the invoice by the entity and the Corporation had outstanding Audit fees amounting to Rs. 5,383,530, payable from 2013 to 2020 for the audit.	I agree with the points stated in the audit. Due to the financial difficulties that the Corporation has faced over several years, it has not been possible to settle the audit fees within the prescribed time frame. I will ensure that payments are made as soon as the financial position improves in the future.	Action should be taken in accordance with the provisions of the National Audit Act.
(e) Section 4 of the Nation Building Tax No 9 of 2009	Although the Nation Building Tax should be remitted to the Commissioner General of Inland Revenue by the 20th day of the month immediately following the end of the relevant period, as at 31 December 2020, a balance of Rs. 95,519,939 remained payable for the period from 2015 to 2019.	The reason for the inability to remit the tax payments to the Department of Inland Revenue within the prescribed time frame was the financial difficulties faced by the Corporation. Furthermore, as at 31 December 2024, the amount payable to the Department of Inland Revenue is Rs. 85,169,312.48.	Action should be taken to remit the Nation Building Tax to the Department of Inland Revenue in accordance with Section 4 of the Nation Building Tax Act.

(f)	Section 26 of Value Added Tax Act No 14 of 2002	Contradictory to the Act, tax liability amounting to Rs. 27,046,439 had arisen on the unpaid amounts for the periods from 2002 to 2009 and from 2015 to 2019.	Due to the financial difficulties faced by the institute, it was not possible to remit the tax on the accumulated amounts to the Department of Inland Revenue within the prescribed time frames. But as per the case proceedings as at 31 December 2020, based on payments made periodically over the past few years, the tax amount payable to the Department of Inland Revenue as at 31 December 2024 stands at Rs. 21,519,043.00.	Action should be taken to remit the tax on accumulated amounts to the Department of Inland Revenue in accordance with Section 26 of the Tax on Accumulated Amounts Act.
(g)	Section 15 of the Employees Provident Fund Act No15 of1958	Although the employer should deduct each employee's contribution from their earnings and remit it to the fund at the end of the following month, due to non-payment within the prescribed period, as at 31 December 2020, contributions of Rs. 353,045,586 and surcharges of Rs. 256,954 were payable.	Due to the prolonged financial difficulties faced by the Corporation, it was not possible to remit EPF and ETF contributions on time. However, steps have subsequently been taken to settle portions of these outstanding EPF and ETF contributions, and assistance has been requested from the General Treasury to pay the remaining outstanding amounts.	Contributions should be remitted to the Employees Provident Fund on time in accordance with Section 15 of the Employees Provident Fund Act.
(h)	Section16 (i) of Part ii of The Employees Trust Fund No 46 of 1980	Although the contributions should have been remitted by the end of the following month or earlier, due to non-payment of the contributions to the fund on the prescribed date, a sum of Rs. 20,900,575 was payable as at the end of the year under review.	Due to the prolonged financial difficulties faced by the Corporation, it was not possible to remit EPF and ETF contributions on time. However, steps have since been taken to settle portions of these outstanding EPF and ETF contributions, and assistance has been requested from the General Treasury to pay the remaining outstanding amounts.	Contributions should be remitted on time in accordance with the Employees Trust Fund Act, No. 46 of 1980

(i) Section 6.5.1 of Public Enterprises Circular No 12 of 2003			
	Although the financial statements related to a financial year should be submitted to the Auditor General within 60 days of the end of the financial year, the accounts for the year 2020 were submitted to the Auditor General with a delay of 3 years and 11 months, that is, on 29 January 2025.	Due to the failure to submit the financial statements to the audit on the prescribed date, the accounts for the years 2021 to 2024 remain to be audited	In accordance with the Public Enterprises Circular, the financial statements and the summary annual report should be submitted to the Auditor General within 60 days of the end of the accounting year.
(j) Letter No. MSDW/08/65 dated 27 April 2018 issued by the Ministry of Sustainable Development and Wildlife.	The Corporation had not identified the Sustainable Development Goals and indicators, not appointed officers to coordinate their achievement and had therefore not prepared a Sustainable Development Program.	Action had been initiated by the Corporation in this regard; however, due to subsequent political changes, the program was discontinued midway.	Action should be taken in accordance with the letter issued by the Ministry of Sustainable Development and Wildlife.
(k) Section 2(i) of the Assets Management Circular No. 02/2017 dated 21 December 2017.	Although vehicles used without registered ownership should have been either registered in the name of the Corporation with the consent of that institute holding ownership or formally transferred to that institute, as at the date of the report, no action had been taken to transfer four vehicles provided to the Corporation by the Ministry of Fisheries and the Department of Agriculture for the period from 2016 to 2024.	No comments were provided.	Action should be taken in accordance with the Assets Management Circular.
(l)Procurement Guidelines 2006			
(i) Section 3.4.3	The Corporation had not maintained an updated register of registered suppliers for the year	During the COVID-19 pandemic, the procurement process was not conducted	A register of registered suppliers should be

	under review.	properly due to less attendance of the employees.	maintained in accordance with the Procurement Guidelines.
(ii) Section 4.2.1	Although a master procurement plan, including expected procurement activities for a period of at least three years, should have been prepared, as at the date of the report, neither the plan nor the corresponding Board approvals had been submitted.	It was not possible to prepare and submit the 2020 procurement plan due to the COVID-19 pandemic situation.	A master procurement plan should be prepared in accordance with the Procurement Guidelines.
(iii) Section 4.2.2	The Corporation had not submitted to the audit the procurement schedule for 2020, detailing each procurement activity and its chronological steps.	During the COVID-19 pandemic, the procurement process was not conducted properly due to the less attendance of the employees.	A procurement schedule should be prepared in accordance with the Procurement Guidelines.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit Rs. 140,755,130 and the corresponding deficit in the preceding year amounted to Rs 163,479,625. Therefore an deterioration to Rs 22,724,495 of the financial result was observed. The reason for this reduction was mainly due to a decrease of Rs. 62,814,236 in selling expenses and a decrease of Rs. 12,639,930 in administrative expenses.

2.2 Ratio Analysis

Although the optimal current ratio should be 2:1, the Corporation's current ratio for 2020 was 0.51. Similarly, while the l optimal quick ratio should be 1:1, the Corporation's ratio was 0.44, indicating an inability to meet short-term liabilities. Moreover, the cash ratio, a liquidity indicator, was approximately 0.059, demonstrating that the Corporation was unable to cover its short-term obligations, which has exacerbated the working capital problem.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
As at 31 December 2020, the Corporation maintained 65 bank accounts, of which 17 accounts had total overdraft facilities of Rs. 48,528,540. The interest on these overdraft facilities as at 31 December 2020 amounted to Rs. 6,032,375. Furthermore, as at 27 February 2025, 42 of the Corporation's bank accounts had been identified as inactive accounts with no transactions.	Due to non-settlement of a short-term loan and overdraft facilities obtained from the Bank of Ceylon, all accounts maintained with the Bank of Ceylon were deactivated. Discussions have since been held with Bank of Ceylon officials, and a payment plan has been submitted, with a view to reactivating these accounts in the future. However, management has decided to obtain bank credit facilities going forward.	Overdraft interest should be settled as prescribed, and discussions should be held with the bank to regularize the inactive accounts.