

## **Shipping Development Fund – 2014**

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The audit of Balance Sheet of the Shipping Development Fund for the year ended 31 December 2014 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. My comments and observations on the above financial statements appear in this report.

### **1.2 Management’s Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **1.3 Auditor’s Responsibility.**

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My responsibility is to express an opinion on these financial statements based on my audit, conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).

### **1.4 The Control and the Existence of the Fund**

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Even though the Fund had been established and functioned by utilizing the charges and commissions recovered from the shipping agents under the provisions of Sri Lanka Central Freight Bureau Act, No. 26 of 1973, action in terms of the Public Finance Circular No.PF/423 of 22 December 2006 had not been taken to function as a statutory Fund with a legal framework. Moreover, the activities of the Fund had been carried out under the supervision and control of the Secretary to the Ministry of Ports and Shipping. According to the instructions given by the Department of Public Enterprises by its letter No.PE/COP/(4)31 dated 24 May 2011 a sum of Rs. 46.47 million out of the Fund had been released to the Ceylon Shipping Corporation in the year 2011 for the investment to open a new passenger terminal and the balance financial assets of the Fund had been credited to the Consolidated Fund after being realized. Accordingly, no operations whatsoever had been carried out during the year under review and as a result, neither income was generated nor expenditure was incurred relating to the Fund. As such, a problematic condition had arisen in respect of the going concern of the Fund.

### **1.5 Basis for Disclaimer of Opinion**

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As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements, making up the balance sheet.

## **2. Financial Statements**

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### **2.1 Disclaimer of Opinion**

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

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Lack of Evidence for Audit**

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No document whatsoever had been furnished to audit relating to the sums of Rs. 366,691,764 and Rs.946,095 given to the President's Office and the Ministry of Education respectively, and it was reported to audit that the sum of Rs. 55,000,000 which had been given to the Ceylon Shipping Corporation had been taken on the reimbursement basis by the General Treasury, and it was not a responsibility of the Ceylon Shipping Corporation. Accordingly, non-receipt of confirmation of balances in respect of the entire value of Rs, 422,637,859 shown as assets in the financial statements had not been shown as a liability in the financial statements of the relevant institutions. As such, it was observed in audit that there was an uncertainty in the recovery of money.

## **3. Financial Review**

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### **3.1 Financial Result**

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Since the operational activities of the Fund had been suspended since the year 2011, an income and expenditure statement or a statement of changes of the Accumulated Fund for the year under review, had not been prepared.

## **4. Operational Review**

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### **4.1 Performance**

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According to the directive given by the Director General of Public Enterprises in the year 2011, all other financial assets of the Fund had been credited to the Consolidated Fund, except debtors. After that all the operational activities of the Fund had been suspended. Nevertheless, action had not been taken to wind- up the Fund by obtaining the instructions of the authority of the relevant parties from 2011 up to 31 August 2016.

## 4.2 Identified Losses

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The following observations are made.

- (a) The loan given to a public enterprise in the year 2009, had been settled back by the General Treasury in the year 2010 and the Interest receivable amounting to Rs.37.09 million relevant to this loan had been set off against the Accumulated Fund in the year under review, recognizing as an accounting error.
- (b) Fixed assets amounting to Rs.94,598 which had been utilized by another public enterprise up to the beginning of the year under review, had been written off from the books.