

Jaya Container Terminals Limited - 2015

The audit of financial statements of the Jaya Container Terminals Ltd for the year ended 31 December 2015, comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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. In carrying out of this audit, I was assisted by a firm of Chartered Accountants in public practice.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Jaya Container Terminals Ltd. as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Non-compliances with Laws, Rules, Regulations, and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, and Regulations	Non-compliances
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(a.) Public Enterprises Circular, No. PED/ 12, dated 02 June 2003	
(i) Section 4.2.2	Every public enterprise should prepare performance reports by evaluating performance, and those reports should be presented to be evaluated by the Board of Directors. Nevertheless, the Company had not done so.
(ii) Section 5.1.1	Every public enterprise should prepare a Corporate Plan, but such a plan had not been prepared by the Company.
(iii) Section 5.1.2	Every public enterprise should prepare an Action Plan, and a work description relating thereto, should be presented. Nevertheless, Such a Plan had not been prepared by the Company.
(iv) Section 7.2	A Procedure Manual/System should be prepared covering all major operations as a major feature of control environment of the Company. Nevertheless, such a Manual had not been prepared by the Company.

- (v) Section 7.4.1 The Audit Committee should meet, and recommendations for the improvement of internal control system and the operations of the Company should be provided based on the findings made through the internal audit. Nevertheless, an Internal Audit Unit had not been established by the Company, and meetings of the Audit Committee had not been held as well.
- (vi) Section 9.3.1 Every public enterprise should formulate a Scheme of Recruitment properly for every post, and the approval of the Line Ministry along with the concurrence of the Department of Public Enterprises should be obtained thereto. Nevertheless, approval of the relevant parties had not been obtained by formulating a Scheme of Recruitment for the posts of the Company in accordance with the Circulars.
- (b.) Paragraph 5.4.12 of the Procurement Guidelines - 2006 Copies of the monthly reports on the payment of Value Added Tax should be presented to the Auditor General. Nevertheless, copies of the reports on the Value Added Tax paid in the year under review, had not been presented to the Auditor General.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Company for the year under review had been a profit of Rs. 36.8 million as compared with the corresponding profit of Rs. 29.8 million for the preceding year, thus observing an improvement of Rs. 7 million representing 23 per cent in the financial result as compared with the preceding year.

The analysis of the financial result of the year under review and 04 preceding years revealed that the profit of the year 2011 amounting to Rs. 56,653,921 had fluctuated in the ensuing years, and decreased to Rs. 36,805,921 by the end of the year 2015. In considering the employee remuneration, Government tax, and depreciation on the non-current assets, the contribution of the Company amounting to Rs. 195,496,703 in the year 2011, had fluctuated and it had reached to Rs. 169,783,722 by the end of the year 2015.

4. Operating Review

4.1 Performance

It is the main objective of the Company to maintain the operations and management of the Jaya Container Terminal in accordance with the duties, functions, and orders assigned to the

Company by the Ports Authority from time to time in accordance with the instructions issued to the Sri Lanka Ports Authority by the Minister in charge of the Ports Authority. Accordingly, the performance of the Jaya Container Terminal, is as follows.

Year	Loading Type of Bunkering Oil			Unloading Type of Bunkering Oil		
	IFO 180 MT	HFO 380 MT	Marine Gas Oil MT	IFO180 MT	HFO 380 MT	Marine Gas Oil MT
2015	38,172	347,143	50,714	36,377	338,750	50,274
2014	46,083	226,153	61,402	48,131	243,460	61,997
2013	31,817	185,377	54,450	31,147	179,001	44,975

The following observations are made in this connection.

- a) As compared with the year 2014, loading of IFO 180 oil and Marine Gas Oil had decreased by 17 per cent each in the year 2015.
- b) As compared with the year 2014, unloading of IFO 180 oil had decreased by 24 per cent whilst the unloading of Marine Gas Oil had decreased by 19 per cent in the year 2015.

4.2 Personal Administration

According to the organizational structure of the Company, the approved cadre comprised of 65 officers. However, the actual cadre had been 89 as at 31 December 2015 thus indicating a surplus of 24 in the staff. Furthermore, the approval of the Line Ministry and the Department of Public Enterprises had not been obtained for the organizational structure as well.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Company from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls	Observations
a) Personal Administration	Failure to get the Scheme of Recruitment approved.
b) Internal Audit	Failure to take action to establish an Internal Audit Unit, and failure to conduct internal audits in accordance with an Audit Programme.

