

Sri Lanka Port Management and Consultancy Services (Pvt) Ltd –2016

The audit of the financial statements of the Sri Lanka Port Management and Consultancy Services (Pvt) Limited for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the comprehensive income statement, the 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 provision in Article 154 (1) of the Constitution of Democratic Socialist Republic of Sri Lanka. I was assisted by a Firm of Chartered Accountants in public practice to carry out this audit. My observations on the operations of the Company for the year under review which I consider should be tabled in Parliament in terms of Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards for Small and Medium Scale Enterprises 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. 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 risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of 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 the financial statements.

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

1.4 Establishment of the Company

The Sri Lanka Port Management and Consultancy Services (Pvt) Ltd. had been incorporated under the Companies Act No.17 of 1982 as a limited liability State Company and re-registered under the Companies Act No.07 of 2007. Sri Lanka Ports Authority has 40 per cent of its shares whereas the Sri Lanka Shipping Corporation owns 15 per cent of its shares.

1.5 Basic for qualified opinion

Uncertainty in the recovery of building repair expenditure of Rs.5,901,323 and employees compensation of Rs.1,013,472 due from the Sri Lanka Ports Authority since the year 2012 was observed.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Port Management and Consultancy Services (Pvt) Ltd. as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, for Small and Medium Scale Enterprises.

2.2 Report on other legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No.07 of 2007, I state the following.

- (a) The basis of opinion and scope and limitations of the audit as stated above.

- (b) In my opinion;
 - I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company and,

 - the financial statements of the Company, comply with the requirements in Section 151 of the Companies Act No.07 of 2007.

2.3 Non-compliance with laws, rules, regulations and management decisions

The following non-compliances were observed.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Section 9 of the agreement entered into with the Sri Lanka Ports Authority on 15 September 2016 for the	Even though a written report on the financial functions of the year should be submitted through the Company Auditors before 31

Administration, Maintenance and Management of Galle Face Green. January of the ensuing year after the end of each year to the Ports Authority, such report had not been submitted in respect of the year under review.

- (b) Public Enterprises Circular No.PED/12 of 02 June 2003
- (i) Section 4.2.2 The performance reports had not been reviewed by the Board of Directors periodically.
 - (ii) Section 5.1.1 Even though, every Public Enterprise should prepare a Corporate Plan the Company had not prepared such a plan.
 - (iii) Section 7.2 Every Public Enterprise should prepare a procedure manual/ system, covering all operational activities, but the Company had not prepared such a manual.
 - (iv) Section 7.4.2 Even though, Senior Management Committees should meet before 5 days of the meeting of the Board of Directors in order to making decisions on administrative, operation and other issues of the Company and to take follow-up action, the above Committee had not met in the year under review.
 - (v) Section 7.4.5 Even though, annual board of surveys should be appointed and conducted to verify fixed assets and stocks belonging to the Company, fixed assets costing Rs.6,039,966 and the stock valued at Rs.384,128 had not been verified at the end of the year under review.
 - (vi) Section 8.8 Although, financial authorities should be delegated at the beginning of the year, indicating expenditure limits, with the approval of the Board of Directors, such a financial authoritative had not been delegated for the year under review by the Company.
 - (vii) Section 7.4.1 of the Public Enterprises Circular No.PED/55 of 14 December 2010. The audit committee should meet at least once in 3 months and give its observations and recommendations to the Board of Directors. Nevertheless, the Company had not set up an internal audit division and not held audit committee meetings.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Company for the year under review had been a profit of Rs.12,062,371 as compared to the profit of Rs.3,011,085 for the preceding year. Accordingly, an improvement of Rs.9,051,286 or 301 per cent in the financial results was observed in the year under review, as compared with the preceding year.

4. Operating Review

4.1 Performance

Main objectives of the Sri Lanka Ports Management and Consultancy Services (Pvt) Ltd. include; facilitating for the localization of vessels arrive at the sea limit belonging to the Port outside the Sri Lanka Ports Authority premises, supply of probationary services associated with cargo loading and unloading, supply of equipment, regularization and control of port traffic congestion, wart functions, performance of warehouse functions and recovery of charges therefor, keeping records of all such activities and undertaking all related operational administrative, supervisory and control functions.

4.2 Personal Administration

In terms of Section 9.3.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, every Public Enterprise should prepared a formal scheme of recruitment for all posts and get the approval of the Line Ministry in concurrence with the Department of Public Enterprises and recruitments should be carried out in accordance with that scheme. Without following such a scheme of recruitment, a staff consisting of 12 officers had been recruited by the Company.

5. Accountability and Good Governance

5.1 Action Plan

An action plan, explaining the Management's responsibility in achieving objectives and targets of the Company during the planned period had not been prepared in terms of Section 5.1.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

5.2 Internal Audit

In terms of provisions in Financial Regulations 133 and 134, an internal audit unit had not been established and carried out an internal audit to participate in the system of internal control of the operations of the Company and to carry out a continuous survey of such operations and Proper and adequacy of the internal check adopted in the year under review.

5.3 Budgetary Control

A budget for the year under review had not been prepared by the Company, even though a budget should be prepared and used it as an instrument of management control.