

Ceylon Fishery Harbours Corporation - 2017

The audit of financial statements of the Ceylon Fishery Harbours Corporation for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of comprehensive income and expenditure, 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 read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 29 of the State Industrial Corporations Act, No. 49 of 1957. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2)(c) of the Finance Act 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 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

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

1.4 Basis for Disclaimer of Opinion

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 the recorded or unrecorded items and elements making up the statement of financial position, statement of comprehensive income and expenditure and statement of changes in equity and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this 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

2.2.1 Sri Lanka Public Sector Accounting Standards

The following non-compliances with Sri Lanka Public Sector Accounting Standards were observed during the course of audit.

(a) **Sri Lanka Public Sector Accounting Standard 01**

In terms of Paragraph 71 of the Standard, adequate disclosures on line items indicated in the Statement of Financial Position, should be made by Notes. However, adequate disclosures on the value of Rs.81,769,596 submitted as balances due to be written off under non-current assets, had not been made in the Statement of Financial Position.

(b) **Sri Lanka Public Sector Accounting Standard 02**

(i) Correction of prior year errors valued at Rs.880,001 which was adjusted to the Statement of Changes in Equity without being adjusted to the operating loss of the Cash Flow Statement of the year under review, had been adjusted erroneously under operating activities.

(ii) Even though the payment of money for the purchase of fixed assets during the year under review had been Rs.188,369,560, it had been indicated as Rs.194,797,384 under cash flows arising from investing activities in the cash flow statement. As such, the cash outflow arising from investing activities had been overstated by Rs.6,427,824.

(iii) The Ministry grants amounting to Rs.5,790,020 for the year 2018, received in the same year had been shown as cash inflow under financial activities in the year under review.

(c) **Sri Lanka Public Sector Accounting Standard 03**

(i) In the correction of the error occurred in capitalizing the advance of Rs.8,800,000 paid in the year 2016 for an Excavator purchased in the year 2017 by the Corporation, it had not been rectified by restating the comparative amounts for the prior year and presented in the financial statements in terms of paragraph 47 of the Standard.

(ii) In terms of paragraph 54 of the Standard, the Corporation had not made disclosures which should be made in the financial statements relating to the correction of prior year errors.

(d) **Sri Lanka Public Sector Accounting Standard 07**

- (i) In terms of paragraph 31 of the Standard, only the expenses attributable to bringing an asset to the condition necessary for it to be capable of operating, can be capitalized to its cost. However, the Corporation had capitalized the expenditure of Rs.730,000 incurred for local and foreign trainings of drivers of mobile cranes purchased during the year under review.
- (ii) In terms of paragraph 69 of the Standard, the depreciation of an asset should begin when it is available for use. However, contrary to that, the Corporation had identified a policy for depreciation of assets for the year of purchase without considering the date of available for use. However, the assets costing Rs.6,373,607,912 had been depreciated for Rs.226,611,131 without considering even the date of purchase.
- (iii) In terms of paragraph 70 of the Standard, the useful life of an asset should be determined by considering the following factors. However, contrary to that, the Corporation had made provisions for depreciation of computer accessories which are subjected to technical obsolescence for a period of 10 years. Further, provisions for depreciation had been made for 40 years by considering the useful life of Break Water built by using sandbags valued at Rs.30,209,500 as the useful life of Break Water built by stones.

2.2.2 Accounting Policies

The following observations are made.

- (a) The accounting policy followed by the Corporation relating to the accounting of the Government Grants and adjustment of amortization, had not been disclosed in the financial statements.
- (b) Even though the accounting of provisions for doubtful debts had been disclosed in the financial statements, the manner of identification of the amount of provisions for doubtful debts from debtors had not been included in the policy. However, a sum of Rs.12,468,207 had been allocated as doubtful debts for the year under review.
- (c) Even though an income amounting to Rs.37,846,862 had been earned by leasing out properties by the Corporation, an accounting policy for accounting the property leased out had not been applied in the preparation of financial statements.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs.8,699,100 spent for completion of 03 constructions in harbours during the year under review and a sum of Rs.1,760,000 spent for the software package of data transfer system had been brought to account under work-in-progress without being capitalized.

- (b) Even though the stock of fuel physically verified as at 31 December 2017 in the Dickowita Fishery Harbour, had been 64,183 litres, it had been shown as 75,340 litres in the financial statements in the year under review and as such, the closing stock of fuel had been overstated by Rs.1,028,117 in the year under review.
- (c) Even though the consultancy income, invoiced relating to the year under review had been Rs.2,048,728, the said income had been understated as Rs.598,067 in the accounts of the income statement by Rs.1,450,661.
- (d) In the computation of doubtful debts, the debtors balance as at 31 December 2017 was Rs.376,215,940. Nevertheless, provisions for doubtful debts had been made by considering the debtors balance as Rs.391,107,303. As such, provisions for doubtful debts had been overstated by Rs.255,095 in the year under review due to making provisions for doubtful debts, considering the debtors balance as Rs.14,891,363 than the actual debtors balance.

2.2.4 Unexplained Differences

- (a) The following differences were indicated between the balances of the revised cash book prepared relating to balances in bank accounts for the year 2017 and the balances of the statement of financial position.

| Description | | Balance of the Statement of Financial Position as at 31 December 2017 | Revised Cash Balance | Difference |
|-----------------------------|--|---|-------------------------|------------|
| ----- | | ----- | ----- | ----- |
| | | Rs. | Rs. | Rs. |
| Negombo Fuel Account - 8354 | | 5,877,850 | 6,664,597 | 786,747 |
| Puranawella Fuel Account | | 8,798,133 | 9,998,112 | 1,199,979 |
| Kudawella Fuel Account | | - | 8,589,837 | 8,589,837 |

- (b) According to the financial statements, the special cash advances balance as at 31 December 2017 had been Rs.16,876,317 while according to the Ledger Accounts, it had been Rs.17,023,273, thus indicating a difference of Rs.146,956.
- (c) Even though the prepaid balance according to the financial statements had been Rs.36,622,577 as at the end of the year under review while according to schedules, it had been Rs.36,737,057, thus indicating a difference of Rs.114,480.
- (d) Even though the debtors balance of anchorage charges as at the end of the year under review had been Rs.10,855,674, according to schedules, the balance thereof, had been Rs., 10,110,624, thus indicating a difference of Rs.745,050.

2.2.5 Lack of Evidence for Audit

The evidence indicated against the following items of account had not been furnished to Audit and as such, they could not be satisfactorily vouched or accepted.

| Item | Value | Evidence not made available |
|--|---------------|---|
| ----- | ----- | ----- |
| | Rs. | |
| Fixed Assets | 6,465,171,321 | Register of Fixed Assets, reports on Boards of Survey |
| Deposits(Security, Fuel, Bank Certificates, Cylinder Deposits and other) | 6,711,405 | } Detailed schedules and confirmation of balances |
| Unidentified Liabilities | 1,653,400 | |
| Balances due for write-off | 81,769,596 | |
| Debtors Balance | 376,215,940 | Detailed schedules |
| Ministry Fund | 130,125,038 | } Detailed Schedules and updated Register and details on the manner in which balance was prepared |
| JICA Fund | 19,992,903 | |
| ADB Fund | 838,173,606 | |
| Dheewara Dirisaviya Fund | 12,032,951 | |
| Ministry Grants | 53,812,853 | |
| Construction Fund of Dickowita Fishery Harbour | 3,143,094 | |
| Dickowita Fund | 4,644,670 | |
| Special Advances(Existed as at 31/12/2015) | 15,287,022 | |
| Value Added Tax (VAT) receivable on income from sand | 10,434,783 | |
| Prepaid (As at 31/12/2016) | 36,721,143 | |
| Value Added Tax receivable | 4,753,933 | |
| Creditors | 9,824,409 | } Detailed schedules |
| Creditors-Nilwella | 200,000 | |
| Revenue from lease rent | 36,258,737 | } Schedules and Age Analysis |
| Advances payable to the Western Grant Institute | 76,261,312 | |
| Other Deposits | 4,122,686 | |
| Creditors-Gampaha District Fishery Co-operation | 204,656 | |
| Other Creditors | 759,738 | |
| Damaged Oil tanks | 133,864 | |

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) The vessel "Sayuri" belonging to the Corporation had been used from 16 December 2016 to 09 March 2017 for mining activities of the Oluvil Fishery Harbour which comes under the Ports Authority. However, the relevant function had been carried out without entering into agreements and as such, the sum of Rs.24,840,000 receivable to the Corporation had been failed to recover therefor from the Authority.
- (b) The value amounting to Rs.75,012,091 shown as the income from lease rent receivable as at the end of the year under review, comprised of the balance amounting to Rs.21,532,211 older than 05 years, the balance amounting to Rs.27,543,347 between 02 and 05 years and the balance of Rs.25,936,533 remained unrecovered for the year under review.
- (c) The balance of Rs.49,609,330 receivable as at the end of the year under review for security services provided by the Corporation to the Line Ministry and other Government institutions, comprised of balances amounting to Rs.25,321,132, Rs.7,670,999 and Rs.16,617,199 older than 05 years, between 02 and 05 years and less than 10 year respectively and activities on recovery of these monies were carried out in a lethargic manner.
- (d) The anchorage debtors balance amounting to Rs.47,311,629 comprised of loan balances amounting to Rs.14,468,415 and Rs.32,843,214 between 03 and 05 years and older than 05 years respectively, recoverable from a private institution relating to the Modara Fishery Harbour and adequate measures had not been taken to recover these balances.
- (e) A sum of Rs.2,150,000 receivable over a period of 05 years from a private institution relating to the removal of the Vessel "Sunken" in the Codbay Fishery Harbour, could not be recovered even during the year under review.
- (f) Action had not been taken even in the year under review to settle Economic Service Charges amounting to Rs.10,512,971 payable to the Department of Inland Revenue, remaining over a period of 05 years.
- (g) Action had not been taken even in the year under review to recover salary advances totalling Rs.39,873 and advances for travelling expenses amounting to Rs.193,159 granted to the staff in the years 2014 and 2015.
- (h) Action had not been taken to recover the outstanding income amounting to Rs.5,439,310 receivable from 08 harbours at the end of the year under review.
- (i) The Corporation had not taken action even in the year under review to recover the balance of Distress Loans totalling Rs.499,109 remained as at the date of beginning of the year under review, from three officers.

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

Instances of non-compliance with the following laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, and Regulations

Non-compliances

- | | |
|--|--|
| (a) Section 13.3 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and section 9.3.1 (vii) of the Public Enterprises Circular No.PED/12 of 02 June 2003 | The Officer who had been received a substantive appointment in the post of Supply Manager of the Corporation, had retired on 10 December 2016 and acting appointments had been made in 02 instances without being made a substantive appointment therefor even up to 27 August 2018, the date of audit. However, acting appointments had been made for the said post even before the retirement of that officer. Further, a sum of Rs.389,051 had been paid for the said acting period of 55 months. |
| | |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | |
| <hr/> | |
| (i) Financial Regulation 189 | The cheques of the Kudawella Fishery Harbour had dishonoured and even though action should be taken in terms of the relevant Financial Regulations to re-obtain the money relating to the said cheque in cash, cheques had been again obtained for the value of Rs.1,311,063 in 05 instances. However, out of cheques so issued, 02 cheques valued at Rs.150,000 and Rs,180,500 had again dishonoured. |
| (ii) Financial Regulation 454 | Even though an inventory book should be maintained in terms of Form General 44, an inventory book had not been maintained for furniture, office equipment and other equipment valued at Rs.144,269,604 in 22 harbours including sub-offices of the Head Office. |
| (iii) Financial Regulation 757(2) | Reports on Boards of Survey relating to the year under review had not been made available to Audit. |
| | |
| (c) Management Services Circular No.05/2017 of 25 October 2017 | Despite having provisions clearly stipulated in the Circular for the payment of professional allowances for the Senior Level Officers of Corporations, Statutory Boards and fully Government owned companies, contrary to that professional allowances had been paid to 05 Engineers of the Corporation according to Public Administration Circular No.28/2011 of 12 December 2011. |

- (d) Public Enterprises Circular No.01/2015 of 25 May 2015
- Contrary to the Circular but according to a decision of the Board of Directors, the Corporation had paid transport allowances totalling Rs.2,837,000 during the year under review at a rate of Rs.10,000 for 21 officers who has been placed on MMI-I category, Rs.5,000 for 03 officers of MMI-I category and at a rate of Rs.1,500 for 11 officers of JMI-I category who are not entitled to receive transport allowances.
- (e) Section 8.8 of the Public Enterprises Circular No.PED/12 of 02 June 2003
- (i) The approval of the Board of Directors for limits of delegation of authority for the year 2017 had been obtained after elapse of 03 months and 11 days from the beginning of the financial year, that is, 11 April 2017.
- (ii) Despite having informed at the 3rd meeting of the Board of Directors, held on 11 April 2017 that only payments up to Rs.75,000 can be authorized for the Managing Director under limits of delegated authority, the Managing Director had authorized the payment of Rs.07 million as advances of 25 per cent for the purchase of excavator.
- (f) Public Finance Circular No.3/2015 of 14 July 2015
- The maximum limit of Sub-Imprestis which can be granted to a Staff Officer in one instance amounts to Rs.100,000. However, the Corporation had paid a total sum of Rs.7,389,950 as Sub-Imprestis in 38 instances in the year under review exceeding that limit. However, the approval of the Treasury had not been obtained for exceeding the limit of Sub-Imprestis.
- (g) Treasury Circular No.IAI/2002/02 of 28 November 2002
- Even though a Register of Fixed Assets on Computers and Computer Accessories should be maintained, such a Register had not been maintained.
- (h) Guideline 2.14.1 of the Procurement Guidelines-2006
- According to the 33rd Supplement issued on 15 March 2017 for Guideline 2.14.1 of the Procurement Guidelines, the personal approval of the Secretary to the Ministry, who is the Chief Accounting Officer, should be obtained in repairing motor vehicles to the value exceeding Rs.200,000. However, sums of Rs.595,296 and Rs.329,062 had been spent for repairs of 02 motor vehicles without obtaining such approval.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Corporation for the year under review had been a loss of Rs.64,601,645 as compared with the corresponding loss of Rs.31,396,138 for the preceding year, thus indicating an increase by Rs.33,205,507 in the loss of the year under review as compared with the preceding year. Even though the recurrent grants and operating income had increased by Rs.1,000,000 and Rs.22,384,939 respectively, the increase in the administrative expenditure and cost of staff by Rs.41,630,998 and Rs.3,917,210 respectively, had been the main reason for the increase in the said loss.

An analysis of the financial results of the year under review and 04 preceding years revealed a continuous loss from the year 2013 to the year under review and that loss had continuously decreased from Rs.167,049,439 to Rs.64,601,645. However, in readjusting the employees' remuneration and depreciation on the non-current assets to the financial result, the contribution of the Corporation which was Rs.403,044,337 in the year 2013 had improved continuously with a positive value and become Rs.865,509,623 in the year under review.

3.2 Analytical Financial Review

The contribution of the Government grants of the total income of the Corporation during 04 preceding years had increased from 30.36 per cent to 55.34 per cent and the contribution of the self-generated income had decreased from 69.64 per cent to 44.65 per cent.

3.3 Legal Action instituted against or by the Corporation

The following observations are made.

- (a) Seven cases had been filed by 05 external institutions and persons in the Courts against the Corporation claiming compensation totalling Rs.3,030,655 in respect of money recoverable for the Programme for promoting Tuna Fishing, anchorage charges, accident claims and interdiction of the service.
- (b) The Corporation had filed 22 cases in the Courts against 22 external institutions claiming compensation totalling Rs.35,607,695 in respect of recovery of outstanding lease rents, advances for 06 fuel tanks, anchorage charges and fuel charges.

4. Operating Review

4.1 Performance

4.1.1 Planning

- (a) The Corporate Plan for the period of 2016-2020 of the Corporation had been prepared and approval of the Board of Directors had been obtained therefor only on 13 October 2017. However, the Corporation could not achieve the targets of the Corporate Plan, expected to be achieved during the years 2016 and 2017.

- (b) The following deficiencies were observed in the Corporate Plan prepared by the Corporation.
- (i) Identification of resources owned by the Corporation by analyzing the macro and micro environment of the Corporation and an analysis of outside environment of the Corporation had not been carried out in the Corporate Plan.
 - (ii) A review of operating results had not been carried out in the Corporate Plan for the period of 2011-2015.
 - (iii) In the identification of appropriate strategies for the achievement of objectives set out by the Corporation, action had not been taken by the Corporation to identify strategies at operational level by identifying strategical business units of the Corporation.
 - (iv) As such, it was observed in audit that strategies had not been identified in a logical manner for facing the instances and threats prevailed in outside environment successfully avoiding weaknesses existed in the internal environment of the Corporation and for achieving objectives of establishment of the Corporation.
 - (v) Further, strategies expected to be implemented during the period of 2016 – 2020 for achieving objectives of the establishment of the Corporation indicated in the Corporate Plan prepared by the Corporation, had not been clearly identified and performance indicators as well for measuring performance thereof had not been identified.
- (c) The following deficiencies were observed in the Annual Action Plan prepared for the year under review.
- (i) Detailed plans had not been prepared including the scope and anticipated outcome and period for each activity of the Annual Action Plan, annual income of 21 harbours of the Corporation and including detailed plans relating to expenses thereof.
 - (ii) Even though the budget limits for each activity had been revised on 15 December 2017, the Annual Action Plan and the Performance Report had not been prepared subjected to those revisions.

4.1.2 Activity and Review

The following observations are made.

- (a) In terms of Section 2 of the State Industrial Corporation Act, No.49 of 1957 and the Gazette Extraordinary dated 06 March 1997 of the Democratic Socialist Republic of Sri Lanka, one of the major objectives of the Corporation is the provision of repairs and maintenance facilities for fishing crafts to fishermen. However, the Corporation had not taken action for achieving the said objective.
- (b) The following matters were observed in the examination of activities of the Civil Engineering Division and Mechanical Division and progress thereof included in the Action Plan of the Ceylon Fishery Harbours Corporation for the year 2017.

- (i) Even though bidding documents and engineering estimates relating to the reconstruction of internal road network of the Galle Fishery Harbour had been prepared on 11 January 2017, a period of 07 months had been spent up to 08 August 2017 for calling quotations from relevant contractors. As such, a period of 10 months had elapsed for the commencement of works of the project of reconstruction of these internal roads that should be completed within a short period as 02 months.
 - (ii) Provisions amounting to Rs.12.62 million had been made in the Action Plan for the reconstruction of internal access roads of fishery harbours and reconstruction activities of internal access roads of Fishery Harbours at Galle and Beruwala, had been implemented in the year under review for contract values of Rs.6.4 million and Rs.2.6 million respectively. However, projects for internal access roads of other fishery harbours had not been implemented and provisions of Rs.4 million had been saved.
 - (iii) Even though provisions amounting to Rs.5.34 million had been made in the year under review for the construction of boundary walls of fishery harbours, plans had not been prepared for the construction of boundary walls by identifying boundaries accurately and as such, public objections were raised in these constructions. Therefore, constructions could not be completed as expected from 22 April 2016, the date of commencement of this contract to the end of the year under review.
- (d) Repairing activities of dry docks of the sand mining Vessel, “Ruhunu Putha” belonging to the Corporation had been assigned to a private institution for a sum of Rs.23,964,109 under a provision of Rs.26 million during the year under review. However, repairing activities of the said vessel had not been completed by the end of the year under review. Even though it had been completed on 05 June 2018, the vessel had not been made use of for sand mining even by 30 August 2018, the date of audit.
- (e) In terms of Section 7.4.2 of the Public Enterprises Circular No.PED / 12 of 02 June 2003, the Board of Directors of every public enterprise should appoint a Senior Management Committee for evaluation and supervision of annual performance thereof. However, the Board of Directors had not appointed a Senior Management Committee for evaluation and supervision of the annual performance of the Corporation.

4.2 Management Activities

The following observations are made.

- (a) Mining and selling of sand of the Ambalangoda harbour had been assigned to an external party on 18 August 2016 and the following observations are made in that connection.
 - (i) Even though reasons such as lack of adequate number of excavators in the Corporation and high cost due to inefficiency and idling of the existing excavators had been indicated as reasons for assigning the said purpose to an external party, there were 04 operative excavators in the Corporation.

- (ii) Even though it had been indicated in the Quotation Notice that the machinery relating to mining of sand should be owned by the external party, the Technical Evaluation Committee had not paid its attention on the contractor's availability of machinery. As such, the Corporation had obtained an excavator on 24 September 2016 on lease basis at a rate of Rs.11,000 per working hour from the Ceynor Foundation Limited for removal of sand and the said excavator had been leased out at a rate of Rs.3,500 per hour to the external party in an unfavourable manner, thus indicating a financial loss of Rs.4,009,500 to the Corporation. However, the attention of the Management had not been paid therefor.
- (iii) The said excavator leased to the external party had been purchased by the Fishery Harbours Corporation from the Ceynor Foundation Limited on 01 February 2017 by spending Rs.28 million and this machine had been given to the said external party up to 03 October 2017 for removal of sand of the Ambalangoda Fishery Harbour. Accordingly, the excavator purchased had been purchased for the requirement of the external party alone and in terms of Section 2.8.4 of the Procurement Guidelines 2006, members of the Technical Evaluation Committee should be appointed by the Head of Institution. However, in tendering mining and selling of sand and in purchasing the excavator valued at Rs.28 million, the members of the Technical Evaluation Committee had been appointed by the Managing Director contrary to provisions of the Government Procurement Guidelines.
- (iv) In terms of Clause 03 of the agreement entered into with the external party by the Corporation regarding mining of sand, a quantity of 7,268 cubes of sand should be mined within a period of 12 months from 03 October 2016. However, only 4,992.5 cubes of sand had been removed during the relevant period and as such, the income lost to the Corporation from 2,275.5 cubes of unremoved sand by selling at a rate of Rs.615 per cube amounted to Rs.1,399,432. Further, it was observed at the physical inspection that carrying out of sand mining activities with a view to maintaining fishery harbours so as to carry out day-to-day activities of the fisheries community and removal of sand so mined within a period of 12 months, had not been carried out in terms of Clause 01 of the agreement. Therefore, the fishing crafts could not reach the basin of the harbour.
- (v) It was further confirmed at the physical inspection that instead of carrying out mining activities in compliance with requirements of fishery communities, mining of sand had been carried out only in a small area of the basin as per the requirement of the said external party. The Controlling Authority had failed even up to 17 October 2017, the date of audit to prepare a regular, long term and proper procedure for removal of sand collected continuously in this harbour and to take action accordingly until 07 years had elapsed after commencement of the harbour.
- (vi) Even though the Management of the Harbour had been made aware of removal of sand and collision of bottom of the vessel with sand, at the Fisheries Committee Meeting held on 18 July 2017, even thereafter, the Controlling Authority had not taken adequate measures for carrying out mining activities. As

such, the fishermen could not reach the basin of the harbour for obtaining fuel, water and other facilities and for bringing back their yield to the land. Moreover, it was observed at the physical inspection carried out on 17 October 2017 that the fishermen face various difficulties as above.

- (b) An agreement had been entered into with a private institution on 17 November 2015 for a contract value of Rs.950,000 for installation and maintenance of a software package for transferring data between the Head Office and fishery harbours. Moreover, a total sum of Rs.810,000 comprising Rs.425,000 on 27 April 2016 and Rs.385,000 on 01 December 2016 had been paid additionally for upgrading the software package for requirements identified later. However, the Managers of fishery harbours have sent letters to the Head Office informing that there were problems in updating data due to defects of the said software package. Nevertheless, the Corporation had not taken adequate measures for maintaining software packages and for debug of the system according to the relevant agreement. Further, it was observed that financial information and income and expenditure summaries of fishery harbours are not obtained through the software package for the preparation of final financial statements.
- (c) A deficit and a surplus in fuel totalling Rs.4,063,780 and Rs.1,055,824 in 16 and 09 fishery harbours respectively had remained as at the end of the year under review. However, the Management had not taken necessary measures for avoiding such a situation by identifying reasons for such unusual deficits and surpluses in the stock of fuel.
- (d) Even though a building had been constructed by spending a sum of Rs.2,848,128 in the year 2012 for leasing out to fishermen for storing engines of fishing crafts of the Dodanduwa Fishery Harbour, the rooms of that building had not been partitioned. As such, it could not be utilized for expected purposes. Therefore, the said building had been partitioned into 16 rooms in the year 2016 by spending a sum of Rs.2,226,895 and handed over to the Corporation on 19 October 2017. However, no rooms whatsoever of this building had been leased out even by 20 March 2018, the date of Audit.
- (e)(i) The ice breaker machine remained in the cold room of the Dodanduwa Harbour had been carried out to the Mechanical Store of the Head Office on 21 May 2012 for repairing activities. Even though a period of nearly 06 years had elapsed up to 20 March 2018, the date of Audit, that machine had not been repaired and handed over to the harbour.
- (ii) The Compressor of the cold room had remained idle over a period of one month and action had not been taken to repair it. As more income out of monthly income of the harbour is received from sale of ice, it was observed that the idling cold room is attributed to further increase in the loss at the instance in which the harbour is running at a loss.

- (f) Quantities of 119,120 litres and 822,449 litres of kerosene oil had been issued in 83 and 19 instances respectively up to 09 May 2018 to persons not registered as fishermen in the year under review by the Suduwella Fishery Harbour. Further, the Management of the harbour had taken action to issue a quantity of 2,455 litres of kerosene oil on 10 May 2018 to a private institution by which kerosene oil is sold. Despite the Management of the harbour had been made aware of the increase in price of a litre of kerosene oil by Rs.57 from 10 May 2018, a quantity of 2,455 litres of kerosene oil had been so issued to external parties by using a labourer of the fishery harbour after 5 p.m., thus a loss of Rs.139,935 had occurred to the Corporation.
- (g) Quantities of 119,120 litres and 22,449 litres of kerosene oil had been issued by the Suduwella Fishery Harbour in 83 instances of the year 2017 and in 19 instances up to 09 May 2018 respectively by preparing a forged register of fishermen.
- (h) In leasing out the canteen of the Puranawella Fishery Harbour, the Tender had been awarded for a period of one year from 16 March 2017 at a minimum monthly lease rent of Rs.96,599 in terms of Condition 05 of the Tender. However, according to an appeal submitted by the purchaser, the said monthly lease rent had been revised in the lease agreement as Rs.68,000 within the same tender period, that was, from 21 August 2017 to 20 August 2018. This monthly lease rental was less than the monthly lease rental indicated in the Tender Notice by Rs.28,599, thus sustaining a monthly loss of Rs.28,599 by the Corporation.
- (i) At the physical inspection carried out on 05 March 2018 on the stock of diesel of the filling station maintained by the Tangalle Fishery Harbour for supplying fuel for fishing crafts in the harbour, the quantity of stock of fuel before selling was 16,558 litres and according to the stock books as at that date, the stock of fuel was 21,020 litres. As such, the deficit in stock of fuel and value had been 4,462 litres and Rs.423,890 respectively.
- (j) The Fisheries Cooperative Society in Galle District had maintained an office in a room of 210 square feet in extent in the Kumarasinghe Building at the Galle Fishery Harbour premises and no charges whatsoever had been recovered therefor.
- (k) The limits on cash reserve for deposition in safes of harbours such as Dodanduwa, Suduwella, Puranawella and Nilwella amounted to Rs.250,000, Rs.1,200,000, Rs.500,000 and Rs.1,500,000 respectively and cash had been retained in the safe exceeding those limits. Moreover, cash had been retained in the safe, ranging from Rs.299,013 to Rs.399,796 in 8 instances of the Dodanduwa Fishery Harbour and exceeding the limits in two instances of the Suduwella Fishery Harbour.
- (l) In the examination of Bank Reconciliation Statement relating to a bank account of the Kudawella Fishery Harbour, an uncertain cash balance of Rs.514,340 had remained in the account every month since the beginning of the year 2017. Nevertheless, action had not been taken to examine thereon and to settle the said balance.

- (m) Replies for 07 audit queries issued for the year 2017 had not been submitted up to 03 October 2018.
- (n) Lands of 40 perches and 04 perches in extent of the Ambalangoda Fishery Harbour had been leased out by the Corporation to a private company on 27 December 2011 at a rate of monthly lease rent of Rs.100,000 for maintaining an ice factory for a period of 20 years and on 25 June 2014 at a rate of monthly lease rent of Rs.10,000 for maintaining a sales outlet for lubricant for a period of 09 years and 05 months respectively without obtaining assessment reports from the Government Assessor for determining the monthly lease rent.
- (o) According to the Pre-paid Register, pre-paid balances less than 01 year, between 01 and 05 years, between 05 and 10 years and older than 10 years amounted to Rs.620,880, Rs.11,551,997, Rs.6,598,719, and Rs.17,893,981 respectively and the Management had not taken adequate steps to settle the said prepayments.
- (p) The Vessel "Sayuri" had met with an accident on 06 November 2016 while sailing in the Hikkaduwa Fishery Harbour and a sum of Rs.5,800,000 had been spent for repairs carried out after the accident due to failure in insuring the said vessel.
- (q) Twenty one harbours are operative at present in the Fishery Harbours Corporation and only the ownership of lands belonging to 05 harbours out of them, had been vested in the Corporation. However, vesting of ownership of the remaining harbours had not been carried out even by the end of the year under review.

4.3. Operating Activities

The following observations are made.

- (a) (i) The Modara Fishery Harbour which earned 73 per cent of the total operating profit before the year 2014, had been leased out to a private institution on 30 October 2014 at a monthly rental of Rs.125,000 obtained from a private assessor on long term lease basis for a period of 25 years.
- (ii) In terms of Clause 03 of the additional agreement entered into on 10 June 2015 between the Corporation and lease purchaser, it had been agreed to recover the monthly lease rental assessed by the Government Assessor from the lease purchaser. Moreover, according to the assessment report of the Government Assessor obtained on 25 February 2016, the lease rental of the land of 1.421 hectares in extent of Modara Fishery Harbour had been assessed as Rs.1,700,000 based on the Plan No.7695. However, the monthly lease rental assessed by the Government Assessor had not been recovered and as such, the lease income of Rs.42,756,000 had been deprived of to the Corporation by the end of the year under review.
- (iii) It was observed in audit that the report of the Government Assessor for the Modara Fishery Harbour had been based on the extent of the land depicted in the Plan No.7695 and that the said report had not been submitted for whole harbour itself

including the basin of the harbour as well. However, the attention of the Management of the Corporation had not been paid to obtain an assessment report from the Government Assessor including the basin of the harbour.

- (b) The operating activities of the Chilaw Fishery Harbour constructed on loan aid of the Asian Development Bank and the Coast Resources Management Project with an expenditure of Rs.224 million and handed over to the Corporation, had been commenced in the year 2009. However, provision of relief to fishermen which is the main objective that should be fulfilled by the harbour, had not been carried out up to May 2017. However, the loss occurred from operations of the harbour from the year 2011 to the year under review had been Rs.65,371,627 and as such, the payment of foreign loans and the interest thereon payable for this harbour had been a burden of expenditure to the Government,
- (c) Out of 21 fishery harbours which come under the purview of the Corporation, 15 harbours had sustained operating losses of Rs.150,964,219 during the year under review and those 11 harbours had sustained losses even in the preceding year. The operating loss of the Tangalle, Hambanthota, Suduwella, Beruwala and Galle Fishery Harbours had increased by 10 per cent, 22 per cent, 17.5 per cent, 215 per cent and 231 per cent. The attention of the Management had not been paid to study reasons for losses of harbours which were running at a loss and to convert them into profitable harbours or take necessary measures to reduce losses and to increase the profit of harbours of which profit is being reduced.
- (d) Even though a sum of Rs.47,000 each should be charged as crane fees for 04 registered vessels of the Puranawella Fishery Harbour with the approval of the Council, only a sum of Rs.23,500 had been charged. As such, an income of Rs.23,500 per crane had been deprived of to the Corporation.
- (e) The outstanding lease rentals and water and electricity charges had not been duly recovered for the years 2017 and 2018 and from the year 2009 to the year 2018 from buildings leased out to the Ceylon Fisheries Corporation, Fisheries Inspectors' Office and Lanka Ice Company by the Puranawella Fishery Harbour, thus indicating an outstanding money totalling Rs.431,728 up to 02 April 2018, the date of audit.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) Agreements had been entered into with a private company in the year 2014 for removal of sand of the Panadura Fishery Harbour without the approval and an advance of Rs.20,000,000 had been paid to that company without obtaining a security. In terms of Conditions of the additional agreement dated 10 December 2015, the private company should set off the said advance against the income received from sale of mined sand. Nevertheless, the said advance had not been recovered up to the end of the year under review.

- (b) The vessel Diyath Maga of 100 Tons in weight, employees' hostel and the factory belonging to the Codbay Fishery Harbour had been leased out to a private party for repairs within 06 months and make use of them. Even though they should be repaired within 06 months in terms of the agreement dated 29 December 2013, those repairs had not been carried out. Moreover, the preliminary objective of the leasing out is the improvement of the Diyath Maga which remained idle over a period of 13 years. Even though a period of 4 ½ years had elapsed as at 30 August 2018, the date of audit, the said preliminary objective could not be achieved and the Corporation had not taken action to recover the outstanding income of Rs.1,690,500 from the lessee(Purchaser) by the end of the year under review.

4.5 Underutilization of Funds

Balances of 06 bank accounts valued at Rs.224,749 had remained dormant without carrying out transactions over a period of 06 years.

4.6 Idle Assets

Three circuit bungalows, 02 cold rooms, 03 ice plants, 04 building stalls, a factory workshop and an official quarters, 10 machinery and equipment and 05 motor vehicles and vessels belonging to fishery harbours at Puranawella, Suduwella, Nilwella, Tangalle, Galle and Kudawella, had remained idle without being utilized.

4.7 Assets of the Corporation given to other Government Institutions

Twenty three employees of the Corporation had been released to the Line Ministry and other Government institutions during the year under review and salaries totalling Rs.12,815,813 had been paid therefor. However, action had not been taken to reimburse those monies from relevant institutions.

4.6 Staff Administration

- (a) Even though the cadre of the Ceylon Fishery Harbours Corporation, approved by the Department of Management Services as at 31 December 2017 stood at 1,015, the actual cadre as at that date stood at 1,176. The vacancies and excess cadre of the staff stood at 313 and 453 respectively and the said excess cadre comprised of 404 officers of 25 posts but not in approved cadre.
- (b) In terms of Section 8.2 of Chapter V of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, the Head of the Department should ensure that an officer who had been dismissed from service is not reemployed. However, contrary to that, an officer who had been dismissed from service on the results of a formal disciplinary inquiry conducted by a Government Institution, had been reemployed in the post of Human Resources Manager from 04 January 2012.

- (c) Thirty four salary increments for the post of Financial Manager and 15 increments for the post of Personal Assistant which is at the junior management level, had been paid at once without obtaining the approval of the Secretary to the Treasury for revision of salary even before completing the probation period, in terms of Section 9.7 of the Public Enterprises Circular No.PED/12 of 02 June 2003. Moreover, posts of the Internal Auditor and the Audit Officer had been placed on inaccurate salary steps and special allowances as well had been paid at a rate of Rs.10,000 per month to two Legal Officers.
- (d) An officer recruited for the post of Project Coordinator on contract basis on 02 August 2010 for a period of one year, had been appointed to the post of Deputy Manager within one month contrary to the Scheme of Recruitment and Promotion of the Corporation. Moreover, he had been made permanent in service on 06 January 2012 without testing his efficiency and suitability within his contract period.
- (e) The entire cadre of the Kirinda Fishery Harbour as at 25 April 2018, the date of Audit stood at 55. Despite the unavailability of a bridge scale, a whale watching boat and a crane in the fishery harbour, a Bridge Scale Operator, two officers as Coxswain and Assistant and an Assistant Crane Operator had been attached to this staff.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals

Every Government Institution should act in terms of the 2030 “Agenda” of the United Nations for Sustainable Development and even though the Ceylon Fisheries Harbour Corporation had been aware of the manner in implementing the functions that come under its scope, relating to the year under review, action had not been taken to identify the sustainable development goals, targets relating to those functions and focal points to reach those targets and indices for measuring the achievement of targets.

6. Accountability and Good Governance

6.1 Presentation of Financial Statements

Even though the financial statements should be presented to Audit within 60 days after the close of the relevant year of accounts as specified in the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements for the year 2017 had been presented to the Auditor General only on 06 April 2018 after a delay of 37 days.

6.2 Internal Audit

The following observations are made.

- (a) In terms of Paragraph 07 of the Management Audit Circular No.DMA/2009(1) of 09 June 2009, in the preparation of the Annual Internal Audit Programme by an organization, it should be prepared in a manner of covering all areas such as the approved annual estimate

and the Action Plan of the organization and deploying limited audit resources effectively thereon. However, the Corporation had prepared the annual audit programme without paying attention on the Action Plan. Further, serious attention has to be focused on auditing high risk areas of the organization. The high risk areas has to be identified out of the processes established for accomplishment of the objectives of the organization, taking into consideration, how they would affect the organization, the probability of occurrence of unfavorable events and weaknesses of the control mechanisms established to prevent such occurrences and accordingly, the audit programme should be prepared. However, the audit programme for the year 2017 had not been prepared without focusing on high risk areas.

- (b) Even though it had been indicated in the Audit Plan for the year 2017 that the auditing relating to 05 areas such as constructions, procurement, Register of Fixed Assets, employees gratuity and examination on answering to audit queries is implemented throughout the year, no examination whatsoever had been carried out relating to those areas even by 20 November 2017.
- (c) In terms of Paragraph 09 of the Management Audit Circular No.DMA/2009(1) of 09 June 2009, audit reports to be prepared for a year and target dates for presentation of them had been indicated, two preliminary and summary reports and quarterly reports had not been prepared by the Internal Audit Unit.
- (d) The review of reports of the Internal Auditor and taking prompt action on shortcomings pointed out should be carried out. Even though 18 internal audit reports had been issued during the year under review, the Corporation had not taken action to implement recommendations submitted relating to 10 audit reports out of them.
- (e) In terms of Financial Regulation 133, participation in the system of internal control of the financial operations of the Department and carrying out a continuous survey and an independent appraisal of such operations and the soundness and adequacy of the internal checks adopted in the prevention and detection of errors and frauds had been indicated as a main objective of an Internal Audit Unit. However, this Unit had not taken adequate and acceptable action for achieving the said objective.
- (f) Recording of Government assets and preparation of internal audit procedures on the internal control should be carried out, in terms of the Management Audit Circular No.DMA/2009(2) of 01 September 2009, a proper report on assets of the Corporation from the year 2014 to the year 2017 had not been prepared even by the date of audit.

6.3 Procurement and Contract Process

6.3.1 Procurement

The following observations are made.

- (a) In terms of Guideline 4.2 of the Government Procurement Guidelines 2006, the Corporation had not prepared a Master Procurement Plan including envisaged procurement activities at least for a period of 03 years and the following observations are made on the Procurement Plan prepared for the year under review.

- (i) Even though provisions of Rs.1.1 million had been allocated for the purchase of hydrographic survey software and surveying equipment for the Civil Engineering Division under the National Competitive Bidding Method, out of that, a sum of Rs.214,257 had been spent for surveying in the field by July 2017.
 - (ii) Even though it had been indicated in allocating provisions amounting to Rs.06 million for the purchase of spare parts for mining vessels in the harbours at Hikkaduwa and Kirinda that the said procurement is carried out by following national competitive and shopping methods, purchases had been made by the manager of the harbour without following those methodologies.
 - (iii) The Corporation had not prepared a procurement time schedule in terms of Guideline 4.2.2 of the Government Procurement Guidelines 2006 and even the progress of the Procurement Plan prepared had not been reviewed even by 08 November 2017. As such, functions such as identification of delays occurred in the procurement to clear the reasons based thereon and taking necessary remedial action therefor had not been implemented.
 - (iv) Even though only plans for provisions allocated by the Treasury had been included in the Procurement Plan prepared by the Corporation, plans for provisions of Rs.173.4 million allocated by the Department of Fisheries and Aquatic Resources had not been included in the Procurement Plan. As such, a sum of Rs.110,712,612 out of the said amount had been spent during the year without a plan.
- (b) The following matters were observed on the procurement of purchase of 09 beacon lamps for fishery harbours in the years 2012, 2015 and 2016.
- (i) In the purchase of beacon lamps, the bid submitted to the bid opening committee with a delay had been acknowledged without being rejected and the said bid received so with a delay had been evaluated by the Technical Evaluation Committee and the procurement activity valued at Rs.344,000 had been awarded to the same supplier.
 - (ii) The minute of opening of bids, signatures of representatives of bidders and members of the bid opening committee, any formats whatsoever on that each bid had been observed and on financial information, had not been completed by the bid opening committee of the Corporation.
 - (iii) Even though beacon lamps are essential for fishing crafts reaching the basin of the harbour at night, beacon lamps had not been fixed in 07 fishery harbours.
- (c) In the procurement of purchase of 08 fuel pumps for fishery harbours at Codbay, Dickowita, Beruwala, Galle, Mirissa, Puranawella, Kudawella and Ambalangoda under the national competitive bidding method by the Corporation, the contract of supply of fuel pumps had been awarded to the value of Rs.19,121,000 to the supplier who had completed the preliminary specification of issue of 150 litres per minute in selecting the supplier. However, the capacity of fuel pumps supplied had been 150 litres per minute. As such, fuel pumps which are not suitable for the requirement of the Corporation had been purchased and installed in fishery Harbours and it was observed in the physical audit inspection that those fuel pumps had remained idle without being utilized.

(d) (i) According to Guideline 5.4.4 of the Procurement Guidelines, only a maximum advance of 20 per cent out of the contract value can be paid on an acceptable advance security. However, contrary to that, the Corporation had paid an advance of Rs.4,950,000 representing 66 per cent out of the contract value by the end of the year under review for purchase of 04 bridge scales for fishery harbours at Galle, Mirissa, Kudawella, and Beruwala without obtaining an advance security.

(ii) Even though 17 months had elapsed by June 2018, the date of audit after awarding the contract of supply of Goods on 23 December 2016, no bridge scales had been installed in any harbour by the contractor. As such, the advances paid had become a fruitless expenditure.

6.3.2 Deficiencies in Contract Administration

Even though the value of the Engineering Estimate of the contract of repair of official residence of the Minister had been Rs.9,466,475, the value of certified works after completing repairs amounted to Rs.12,239,356. Accordingly, the approval of the Secretary to the Ministry had not been obtained in terms of Guideline 8.13.4 of the Procurement Manual for the payment of Rs.2,772,881 or 29 per cent exceeding the Engineering Estimate.

6.4 Budgetary Control

In terms of Section 5.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the budgeted balance sheet, budgeted cash flow statement and budgeted income and expenditure statement which should be presented along with the budget, had not been presented.

6.5 Tabling of Annual Reports

Even though the Annual Reports should be tabled in Parliament within 150 days after the closure of the financial year in terms of Section 6.5.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Annual Reports for the years 2014, 2015 and 2016 had not been tabled even by 15 August 2018.

6.6 Unresolved Audit Paragraphs

The following observations are made.

- (a) Action had been taken to purchase 1,500 and 2,000 T-shirts and caps respectively at a cost of Rs.1,225,000 for the programme of development of Negombo Lagoon and payments had been made to the relevant institution without confirming whether these goods had been received.
- (b) The expenditure for the inaugural ceremony of development of lagoon relating to the Negombo Lagoon Development Project had been estimated to the value of Rs.13,270,000 and a sum of Rs.5,000,000 had been paid as advances to a private institution contrary to the Procurement Procedure. However, no evidence whatsoever had been made available to Audit to prove that the said ceremony had been held.

- (c) The contract of construction of a commemorative plaque for the Negombo Lagoon Development Ceremony had been awarded to a private institution to the value of Rs.1,848,000 and advances of Rs.1,000,000 had been paid therefor during the year 2014. According to the plan of the construction of commemorative plaques, a model of a fish carved out of solid rock should be created. However, it was revealed at the physical inspection carried out on 16 February 2014 that there was a model of fish made of cement.
- (d) In terms of the agreement entered into with a private company on 23 February of the year under review relating to the hiring out of vessel Sayuri belonging to the Corporation, a total sum of Rs.5,600,000 should be recovered from the lessee company for 28 days of the year under review at a rate of Rs.200,000 per day for the possession of the vessel. However, out of that, only a sum of Rs.1,600,000 had been recovered. Further, action had not been taken even by October 2017 to recover a total sum of Rs.5,409,960 including a sum of Rs.1,409,960 paid as fuel, water, employees' salaries, overtime and allowances contrary to the Conditions of the agreement.
- (e) According to an internal audit report issued in the year 2007, a clerk who was involved in misappropriation of money when serving in the Supplies Division, had been reattached to the same Division from 05 May 2014 without being recovered a loss occurred to the Government and conducted a disciplinary inquiry.
- (f) The private institution which had entered into with the Corporation in June 2015 for removal of sand of the Kirinda Harbour had not acted in accordance with that agreement. As such, according to Section 08 of the agreement, the agreement had been cancelled. However, the security deposit amounting to Rs.200,000 had not been reimbursed to the Corporation. Moreover, the removal of sand of the Hambanthota Harbour as well had been assigned to the same institution from August 2015 and removal of sand therein as well had not been carried out. Even though the fishing crafts could not reach the harbours and the objective of providing facilities to fishermen had not been achieved, the Management had not paid its attention in this connection.
- (g) The following directives given by the Committee on Public Enterprises held on 18 February 2014 had not been implemented.
- (i) Even though directives had been given to appoint a committee to find out solutions to bring the loss making harbours to profit making status, action had not been taken accordingly.
 - (ii) Even though directives had been given to submit reports to Audit on the present situation of recovery of money for fuel supplied on credit basis and on hearing 10 cases and unrecovered loan balances, those reports had not been presented.
 - (iii) Even though it had been notified to hold the supply of fuel on credit basis, contrary to decisions of those committees, fuel to the value of Rs.69 million had been issued on credit basis by the year under review and for 02 preceding years.

- (iv) Action had not been taken to recover anchorage charges of Rs.5,675,373 from the vessel anchored at the Modara Fishery Harbour.
- (v) Even though directives had been given to formulate the new scheme of recruitment and forward for the approval of the Cabinet of Ministers, scheme of recruitments had not been formulated and forward for the approval from the year 2014 to the year 2018.
- (vi) Even though it had been notified to present the measures to Audit, taken by the Management for rectification of errors occurred in the payment of salary increments contrary to circulars, action had not been taken to prepare correct salary categories despite a lapse of 04 years.
- (vii) A report on the progress of pre-paid advances and reasons for non-implementation of decisions of the Committee had not been presented.
- (viii) Even though advances of Rs.2,791,215 had been paid in the year 2007 for supplying 06 fuel tanks valued at Rs.5,065,075, directives had been given to take action against the Supply Manager who should be responsible for the non-receipt of those fuel tanks to the Corporation. However, the said Supply Manager had been reinstated in the service without conducting a disciplinary inquiry and recovered the money paid therefor.

6.7 Performance of Environmental and Social Responsibilities

The following observations are made.

- (a) Action had not been taken even up to 20 March 2018, the date of audit to obtain the Environmental Protection License for the year 2018 which should be obtained annually from the Hikkaduwa Municipal Council for the kerosene oil filling station operated in the Dodanduwa Fishery Harbour premises.
- (b) Twenty three and 25 vessels which were destroyed had been piled in the premises of harbours at Devinuwara, Puranawella and Galle and action had not been taken to remove them from the premises, thus giving rise to various environmental issues.

7. Systems and Controls

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

| Areas of Systems and Controls | Observations |
|--------------------------------------|--|
| ----- | ----- |
| (a) Management of Staff Loans | Improper maintenance of Loan Registers in respect of staff loans, salary advances loans and medical loans. |

(b) Financial Control

- (i) Delays in preparation of bank reconciliation statements.
- (ii) Failure in taking action to recover and settle by identifying unidentified balances in accounts receivable and payable, remaining over a period of many years.
- (iii) Placing signatures and receipt of two blank cheques in fishery harbours at Nilwella and Kudawella.
- (iv) Failure in using carbon papers of which both sides can be used for writing activities of the Nilwella Fishery Harbour.
- (v) In charging money for sale of fuel and other services, a proper receipt is not issued and charge of money on temporary receipts by subject clerks, Even though there is a cashier, the said activities are carried out by subjects clerks, failure to prepare a receipt voucher for receipt of money, failure in following a proper control method in depositing money in the safe, failure to prepare a cash book and balance it daily and failure to reconcile the balance therein with money in hand, retention of money in hand exceeding the reserved limit.
- (vi) Cash books should be maintained in accordance with receipts and payments in a time order and even though they should be balanced daily and signed by the Supervisor or a Staff Officer, it had not been so done.

(c) Income Control

Collection of income had been at a weak level.

(d) Staff Administration

Failure to obtain the approval for the Scheme of Recruitment, granting salary increments and making recruitments without the approval of the Department of Management Services and making recruitments without transparency and failure in taking action to maintain the web site of the Corporation in an updated manner.

(e) Assets Control

Non-maintenance of the Registers of Fixed Assets and the failure to revalue the assets.

(f) Internal Audit

- (i) Failure in carrying out an adequate internal audit and introducing Internal Control Systems.
- (ii) Failure in indicating number of man days separately for each activity in the Internal Audit Plan.

(g) Procurement

Non-categorization of procurement activities such as goods, services and works in the Procurement Plan.