

Ceylon Fishery Harbours Corporation - 2018

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Ceylon Fishery Harbour Corporation for the year ended 31 December 2018 comprising the statement of Financial position as at 31 December 2018 and the income statement, statement of 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 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 these financial statements of the corporation. Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion in respect of these financial statements.

1.2 Basis for Disclaimer of Opinion

I do not express an opinion 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 and appropriate audit evidence to provide a basis for my disclaimer of 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 Public Sector Accounting Standards and for such internal control as management determine 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 ability 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 Sub-Section 16(1) of the 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 Institute.

1.4 Auditor's responsibility for financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following:

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Corporation and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Institute.
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements

The Corporation is required to “devise and maintain” a system of internal accounting controls, sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Audit observations in that regard are as follows.

Audit Observation	Management’s Comment	Recommendation
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(a) In terms of Financial Regulations 128(1)(d), 135(1), 139 and 140(a), an adequate system of internal check for payments totalling Rs.15,719,808 made by the Kalpitiya Harbour on 23 payment vouchers was not maintained and tested from time to time. As preparation of vouchers and writing the cash book had been assigned to a labourer, recommendation, approval and certification of payment had been performed by one officer.	No comments given by Management.	Delegation of financial authorities needs to be correctly done and the internal control be strengthened.

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| <p>(b) As a sufficient system of internal control was not maintained in respect of financial functions of the Fishery Harbour, it was observed at the physical verification carried out on sale of fuel in Kalpitiya Fishery Harbour that the revenue of Rs.323,400 for 2 days collected by the pump keeper from sale of fuel had been remained under his custody without being handed over to the cashier.</p> | <p>In the sale of fuel in fishery harbours, owners and their staff of the fishing boats are reluctant to come to office for making payments for fuel and they pursue to pay the money direct to the sales centre and take fuel. According to the discussions held with the fisheries societies subsequently, they agreed to pay the fuel money to the harbour office.</p> | <p>Internal control systems in respect of financial activities need to be introduced and implemented.</p> |
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1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Audit Observation

Management's Comment

Recommendation

Even though assets constructed in the years 2016 and 2017 valued at Rs.8,325,121 had been brought to accounts in the year under review, prior year comparative amount had not been adjusted and presented in terms of paragraphs 47 and 54 of the public sector Accounting Standard 03.

Correction of prior period comparative amounts in the financial statements will be made when the accounts for 2019 are prepared.

Comparative information needs to be correctly adjusted in terms of Sri Lanka Public Sector Accounting Standards and disclose in the financial statements.

1.5.3 Accounting Policies

Audit Observation

Management's Comment

Recommendation

- (a) Even though, the useful life of the break water put up by using sand bags valued at Rs.30,209,500 is less than the useful life of the break water put up by granite, provision for depreciation had been made for the year under review being treated it also as 40 years.

Action had been taken to compute depreciation on break water put up by using sand bags based at the correct rate of 10 per cent and corrected by journal entries.

Accounting policy needs to be introduced requires for depreciation based on the useful life of assets.

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| <p>(b) Even though, it was stated that leased out properties are measured at its fair value and presented in the financial statements in accordance with the accounting policy of the corporation, the fair value of 87 properties given on lease by the Corporation had not been assessed and disclosed in the financial statements. At least the cost of lease properties had not been included in the details of leases disclosed in the financial statements.</p> | <p>Noted that their values will be presented since the assets are revalued.</p> | <p>The fair value of assets needs to be assessed and such values need to be disclosed in the financial statements.</p> |
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1.5.4 Accounting Deficiencies

Audit Observation	Management's Comment	Recommendation
<p>(a) In accounting the value of 3 building construction contracts totalling Rs.8,157,552 had been under accounted and as such, the value of property, plant & equipment and related depreciation had been understated by relevant values in the year under review.</p>	<p>Journal entries had been passed in the year 2019 for capitalisation.</p>	<p>The correct cost of buildings needs to be capitalised.</p>
<p>(b) Even though, a sum of Rs.217 million had been shown in the financial statements as depreciation expenses relating to the fixed assets of the year under review, it was observed that depreciation had not been computed based on the useful life of each asset item, as sufficient records in respect of assets were not maintained. Therefore, the correctness of the depreciation expense shown in the financial statements could not be examined in audit.</p>	<p>As assets had been used for the fisher folk in the year 2018 and capitalised and depreciated accordingly.</p>	<p>Depreciation needs to be adjusted on the basis of the useful life time of individual assets.</p>

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| (c) Provision for gratuity had been understated by Rs.7,904,011 in the year under review. | The value of gratuity paid by cash during the year under review was stated as Rs.7,927,252 and a paid amount of Rs.113,071 had been erroneously debited to telephone charges accounts. | Schedules presented along with the financial statements need to be presented correctly and the correctness of accounts code numbers need to be checked by responsible officers. |
| (d) Without being physically verified the fuel and lubricant stocks existed in harbours as at 31 December the value of Rs.41,784,454 presented by harbour managers had been disclosed in the accounts. As such it could not be revealed stock shortages and excesses. | After being rechecked the changes in the stock of fuel and lubricants journal entries were passed for rectification. | Physically verified stock needs to be adjusted to the closing stock and shown in the financial statements. |
| (e) Provision for doubtful debts had been understated by Rs.7,167,369. | As provision for doubtful debts had been overstated in the previous years, it had been adjusted by journal entry No.393 in the year under review. | Correct information in respect of provision for doubtful debts needs to be presented. |
| (f) As the profit of Rs.8,760,918 from sale of motor vehicles under working capital changes in the cash flow statement and changes in trade payables amounting to Rs.2,541,536 had been over stated, cash flow from operating activities had been overstated in the cash flow statement. | Noted to rectify in the preparation of accounts in 2019. | Cash flow statement needs to be prepared in accordance with public sector accounting standards. |
| (g) A sum of Rs.5,910,918 received from sale of motor vehicles under the investing activities in the cash flow and a sum of Rs.1,854,793 incurred for the purchase of fixed assets had been understated. | Noted to rectify in the preparation of accounts in 2019. | Cash flow statement needs to be prepared in accordance with public sector accounting standards. |

1.5.5 Lack of documentary evidence for audit

Audit Observation

Due to non-remission of schedules and other written evidence to audit the following items could not be satisfactorily vouched in audit. Register of fixed assets and board of survey reports relating to 20 types of assets items the total value of which amounted to Rs.6,545,273,313, debtors schedules, subsidiary records and balance confirmations relating to 4 trade debtor balances totalling Rs.26,646,026, copies of grant agreements and the particulars of functions performed relating to the assets valued at Rs.83,193,518 capitalised under the Ministry grants and fulfilled on government and foreign aids, schedules, indicating how the balances of Rs.838,173,606 brought forward from more than 5 years under Asian Development Bank, Schedules, indicating how 6 credits balances totalling Rs.14,991,836 consist of, schedules for other deposits of Rs.4,509,025 and special advance balances of Rs.15,287,022 and schedules for a sum of Rs.81,769,596 shown as write off balances.

Management's Comment

Fixed Assets register will be submitted with the revaluation of assets. No comments on other balances by the management.

Recommendation

In order to confirm the balances of accounts shown in the financial statements, fixed assets registers, board of survey reports, other registers, debtors, schedules subsidiary records, confirmation of balances need to be made available to audit.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

Audit Observation	Management's Comment	Recommendation
(a) Of the debtor balances a sum of Rs.44,825,023 and Rs.141,779,477 had not been settled from periods 2 years and over 5 years respectively.	No comment of the management.	Debtor balances need to be recovered.
(b) The pre-paid balance unsettled as at the end of the year under review amounted to Rs.36,659,355 and a total balance of Rs.34,744,302 had not been settled since 5 years.	Even though objectives of pre payments had been greatly achieved, invoices and related documents were misplaced. Relevant purposes are expected to be completed in the year 2019.	Finding the reasons for the non-settlement of pre - payment is the responsibility of the management. Balances not for the payable liability shown in the financial statements need to be written off against the revenue.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, etc.	Non-compliance	Management's Comment	Recommendation
(a) Section 2 of the state Industrial Corporations Act No.49 of 1957 and extraordinary gazette of 06 March of the Democratic Socialist Republic of Sri Lanka.	Even though, one of the prime objectives of the corporation is to provide repair and maintenance facilities to fishermen for their fishing vessels, the corporation had not taken action to achieve that objective.	No comments by the management.	All steps need to be taken to fulfilling the main objectives of the Corporation.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i) Financial Regulation 141(e)	Two signatories in 7 blank cheques and only one signatory in 6 blank cheques had been signed.	No comments.	Act in accordance with the financial regulations.

(ii) Financial Regulation 454	Even though an inventory book should be maintained on inform General 44, an inventory book in respect of furniture, office equipment and other equipment valued at Rs.156,222,325 had not been maintained for sub offices in the Head Office of the Corporation including 22 harbours.	No comments by the management.	An inventory book needs to be maintained in terms of financial regulations.
(iii) Financial Regulation 757(2)	Board of Survey reports relating to the year under review were not presented for audit.	No comments by the management.	Board surveys need to be conducted in terms of financial regulations and copies of its reports need to be presented to the Auditor General.
(c) Section 8.2 of Chapter V of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	Even though, the Head of the Department is responsible not to recruit officer who had been dismissed from the service to the service again, contrary to that, an officer who had been dismissed from a government entity after a formal inquiry had been recruited as the Human Resources Manager since 04 January 2012. Even though this matter had been pointed out in audit reports no attention was paid by the management in this regard.	No comments.	Act in accordance with the Establishments Code.
(d) Treasury circular No.1/A/1/2002/02 of 28 November 2002.	A fixed assets register had not been maintained for computers and accessories.	No comments.	An asset register for computers and accessories needs to be maintained in terms of Treasury circular.

(e) Public Enterprises Circular No.PED/12 of 02 June 2003.

(i) Paragraph 6.5.1

Even though the financial statements should be presented to audit within 60 days after the closure of the financial year, the financial statements for the year under review had been presented to audit on 12 July 2019 after a delay of 134 days. Further, the draft annual report had not been submitted along with the financial statements.

Accepted that financial statements could not be presented on time due to delay in the appointment of Board of Directors. Financial Statements need to be presented on the specific date or before in terms of public enterprises circular.

(ii) Paragraph 9.7

Without obtaining the approval of the Secretary to the Treasury for the salary revisions, 34 salary increments to the Finance Manager and 15 salary increments to the personal assistant which is a junior management level post, before completion of the probation period had been awarded together. Internal Auditor and audit officers were also placed on incorrect salary scales and a monthly allowance of Rs.10,000 had been paid to a female legal officer.

No comment by the management. Approval of the secretary to the Treasury needs to be obtained for the payment of salary increments. Unauthorized payments need to be recovered from the officers certified and approved such payments.

(f) Paragraph 1 of the Public Enterprises Circular No.01/2015 of 25 May 2015.

Transport allowances totalling Rs.3,024,000 had been paid to 36 officers in MM1-1 and JM1-1 categories who were not entitled for transport allowances during the year under review with the approval of the Board of Directors.

No comments. Act in accordance with public enterprises circular.

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| (g) | Management Services Circular No.05/2017 of 25 October 2017. | Despite, clear instructions for the payment of professional allowances for senior level officers in public corporations are stated, contrary to that, professional allowances totalling Rs.915,000 had been paid to 6 Engineers of the Corporation at Rs.15,000 per month during the year under review by applying the provisions in Public Administration Circular No.28/2011 dated 12 December 2011. | No comments. | Act in accordance with the management services circular. |
| (h) | Management Services Circular No.03/2018(ii) of 18 July 2018. | Without being obtained the approval of the Department of Management Services, 07 coordinating officers had been recruited and a sum of Rs.2,053,935 had been paid as salaries and statutory funds contributions from June to December 2018. Reporting for duties had not been established by attendance records as well. | No comments. | Act in accordance with management services circular. |

2. Financial Review

2.1 Financial Results

The financial result of the year under review had been a surplus of Rs.2,696,534 as against the deficit of Rs.64,601,644 in the financial result of the preceding year. Accordingly, an improvement of Rs.67,298,178 in the financial result was observed. Increase of operating income by Rs.87,835,292 and decrease of administration establishments and maintenance expenses by Rs.47,680,625 had mainly attributed to this improvement.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Management's Comment	Recommendation
(a) The contract for the construction of break water in the chillow harbour by depositing sand bags for the distance of 50 meters, entered into with a private entity in the year 2016 had been halted halfway due to heavy waves. A sum of Rs.1,079,280 paid to the contractor up to now had become fruitless expenses.	While being temporary constructed the break water in the chillow river Mouth at a test level, wind storm effected to India on 11,12,13 of December had also caused to Sri Lanka as well resulting the break water was broken	Act in accordance with the agreement and recover the dues, to the Corporation.
(b) Even though, 21 harbours are in operation under the Fishery Harbours Corporation, lands of 16 of them had not been formally acquired even by the end of the year under review.	No comments.	Lands allocated for the construction of harbours need to be acquired and accounted.
(c) Without obtaining a valuation reports from the government valuer in deciding the monthly rental, a plot of land, 40 purchase in extent had been given to put up and operate an ice plant at a monthly rental of Rs.100,000 at the Ambalangoda Fishery Harbour and a plot of land 4 purchase in extent had been leased out to a private company to operate a lubricant sales centre at a monthly rental of Rs.10,000.	No comments.	Obtain government valuation reports and buildings of the corporation need to be leased accordingly.

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| <p>(d) The ‘Sayuri’ vessel belongs to the corporation had been used for the excavation of Oluvil Port belongs to the Sri Lanka Ports Authority from 16 December 2016 to 09 March 2017. However, an agreement had not been entered into in this connection. As such a sum of Rs.24,840,000 receivable from the Sri Lanka Ports Authority could not be recovered.</p> | <p>No comments.</p> | <p>The management has to take action to collect revenue due to the corporation responsibly.</p> |
| <p>(e) Even though, advances of Rs.2,791,215 had been paid for the supply of 5 fuel tanks in the year 2007 valued at Rs.5,065,075, those tanks were not received by the corporation and instructions had been given to take action against the responsible supplies manager. Without following such instructions, the supplies manager had been reinstated and sent on retirement but action had not been taken to recover the loss.</p> | <p>No comments.</p> | <p>Management needs to take action to recover the loss from the responsible officers.</p> |
| <p>(f) The tender for the purchase and install 4 weighbridges for 4 harbours with the capacity of 40 tons had been awarded to a private company on 23 December 2016 for a sum of Rs.7,478,260 (without VAT). According to the agreement, work should have been completed within 121 days. Despite the work had not been completed even by February 2019, a</p> | <p>In the establishment of weighbridges, fisher folk makes various obstructions. Several discussions were held with fisheries societies for resolving such problems and as such the establishment of them had been delayed.</p> | <p>Taking future steps in respect of losses caused without following government laws and rules are the responsibility of the management being identified the responsible officers for the loss.</p> |

sum of Rs.4,650,000 had been paid to the supplier on 06 February 2017 and 05 May 2017, without getting any bank guarantee.

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| <p>(g) Two accounting deficiencies valued at Rs.1,103,979 pointed out in my report of 2016 and 2017 had not been rectified even by the year under review.</p> | <p>Under capitalisation of Rs.373,979 had been rectified by a journal voucher in the year under review. Local and foreign training expenses of Rs.730,000 had been capitalised as effective for the useful life.</p> | <p>Deficiencies pointed out need to be rectified and reported to audit therefor.</p> |
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3.2 Operating Inefficiencies

Audit Observation

Management's Comment

Recommendation

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| <p>(a) The Modara Fishery Harbour which earned 73 per cent of the total profit prior to the year 2014, had been leased out to a private entity for a period of 25 years since 30 October 2014 at a monthly rental of Rs.125,000 based on an assessment value of a private valuer. According to the condition No.03 of the additional agreement entered into with the lessee by the corporation on 10 June 2015, it was agreed to recover the monthly lease rental of Rs.1,700,000 as per the government valuers valuation, but the basin of the Harbour had not been included in that assessment value. As the government valuers' monthly rent had not been recovered, a rent income of Rs.63,228,776 by the end of the year under</p> | <p>No comments.</p> | <p>Action needs to be taken to lease government properties on the prevailing economic lease rent and to earn maximum revenue from government properties receivable. The management need to take action to expedite the recovery of arrears of revenue.</p> |
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review and the anchoring charges of Rs.1,720,030 were due to the Corporation as at 31 December 2018.

(b) Of the 20 fishery harbours, operate under the Corporation, 15 harbours had incurred operating losses totalling Rs.168,539,219 during the year under review, out of which 14 therefrom had incurred operating losses during the previous year as well. Attention of the management had not been paid to study the reason for incurring losses and to make them profitable harbours.	No comments.	Management needs to take action to become the harbours, profitable conditions by minimising expenditure and collecting revenue receivable.
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3.3 Transactions of contentious nature

----- Audit Observation -----	----- Management's Comment -----	----- Recommendation -----
(a) An agreement had been entered into with a private company in the year 2014 for the removal of sand in Panadura Harbour without approval and an advance of Rs.20,000,000 had been paid without obtaining an advance bond. According to the condition of the additional agreement dated 10 December 2015, the advance needs to be settled from the money receives from sale of sand but such advances had not been recovered even up to the end of the year under review.	No comments.	Losses incurred due to non-compliance with government rules and regulations need to be recovered from the responsible officers. Necessary systems and controls need to be introduced and implemented as well.

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| <p>(b) In terms of agreement of 29 November 2013 the “Diyathmaga” of 100 tons employees hostel and the Mechanical Workshop had been handed over to a private party to repair and use within 6 months on a lease basis. Even though, 4 ½ years had elapsed by 30 August 2018, the date of audit the primary objective of improving ‘Diyath Maga’ was not achieved. Action had not been taken to recover the lease rental of Rs.1,690,500 from the lessee even by the end of the year under review.</p> | <p>Legal action had been taken to recover the outstanding lease rent.</p> | <p>It is the responsibility of the management to recover the lease rent.</p> |
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3.4 Procurement Management

Audit Observation	Management’s Comment	Recommendation
<p>(a) An agreement had been entered into with a private entity to supply and install fuel tanks for 6 fishery harbours for a sum of Rs. 11,363,000. Even though, 506 days had lapsed more than the specified period, fuel tanks had not been completed as agreed.</p>	<p>No comments.</p>	<p>Next steps need to be taken in respect of not to renew the advance and not to recover the demurrage charges as per the agreement and not to install fuel tanks properly.</p>
<p>(b) The contract for the purchase of 8 fuel pumps for 8 fishery harbours had been awarded for a sum of Rs.19,121,000 on 22 November 2016. Even though the capacity of a pump needs to be 150 litres per minute as per technical specifications, the capacity of fuel pumps supplied was 138 litres per minute. As a</p>	<p>As a result of efficiencies existed in the technical specifications relating to the fuel pumps, the process of purchasing fuel pumps had been stopped. When the specifications presented with the bid calling documents were compared, it was revealed that the supplier had installed fuel pumps by deviation from</p>	<p>Purchases need to be effected in compliance with the corporation’s requirement. Being identified the responsible officers in this connection and needs to take firm action.</p>

result, of the supply of fuel pumps not suitable for the corporations requirement and the fuel pumps installed in the harbours were not used by 11 March 2019, the amount of Rs.3,824,200 had become a fruitless expenses. Furthermore, necessary action had also not been taken in respect of non-supply of goods as agreed.

specifications. Request had been made for the extension of performance bond and by the time a few fuel pumps had been established in the Harbour. While those fuel distribution pumps were checked the period of performance bond had expired.

3.5 Weaknesses in Contract Administration

----- Audit Observation -----	----- Management's Comment -----	----- Recommendation -----
(a) An agreement had been entered into on 29 August 2017 for a sum of Rs.18,223,081 for the construction of office building of the corporation, and needs to be handed over within 6 months after completion. However, work had not been completed and handed over even up to 30 June 2019. Demurrage charges of Rs.1,876,969 recoverable in terms of section 17 of the agreement had not been recovered. Contrary to the provisions of the government procurement guidelines a sum of Rs.16,180,537 had been paid for the construction of the above building.	In terms of section 18 of the agreement, a provision of 0.5 per cent had been allocated for additional days in respect of work that could not be completed on due dates.	Being identified the responsible officers for losses incurred due to non-compliance with government rules and regulations, it is the responsibility of the management to take next steps.

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| <p>(b) A contract had been awarded for a sum of Rs.16.5 million for the construction of break-water in chillow under 4 stages. This contracted entity had not been registered with the ICTAD and the registration of an another entity had been presented, without being established the registration by the technical evaluation committee, the contract had been awarded.</p> | <p>Based on the ICTAD grade, this contract had been awarded.</p> | <p>The Technical evaluation committee needs to check the qualifications of the contractors and report to the tender accordingly.</p> |
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3.6 Resources released to Other Institutions

Audit Observation

The Corporation had released 18 employees to the line ministry and other Government Institutions and a sum totalling Rs.10,405,318 had been paid as salaries and allowances in the year under review.

Management's Comment

Some of the employees released to the Ministry have been summoned back to our Corporation, whilst a few number of employees are still attached to the Ministry. Of 18 informed that those employees will also be summoned to the Corporation.

Recommendation

Officers who had not complied to the provisions of the Public Enterprises Circular, No.12 dated 02 June 2003 should be identified and legal action should be taken.

3.7 Human Resource Management

Audit Observation

- (a) Contrary to the provisions in chapter 4 of the consultancy services procurement guidelines of 2007 for the recruitment of a consultant for counselling services, without the approval of the Department of Management Services, the Managing Director of the corporation from August

Management's Comment

In granting approval for the approved employees requirement list as at 17 January 2013 all the employees who served then in the corporation had not been included in that requirement list and excess employees were shown as such.

Recommendation

Being identified officers who are responsible for losses incurred due to non-compliance with government laws and rules, it is the responsibility of management to take legal action.

to September 2018 had been appointed for a period of one year from September 2018. In addition to the salary of the permanent post, a sum of Rs.370,113 had been paid up to December 2018 as monthly allowance and living allowances but any consultancy report whatsoever had not been presented.

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| (b) | Cadre in excess of the approved cadre as at 31 December 2018 amounted to 284 and in addition to the approved posts by the Department of Management Services, 204 employees had been recruited to 22 posts. | No comments. | Recruitments need to be made only for the posts approved by the Department of Management Services. |
| (c) | According to an internal audit report issued in the year 2007 a female clerk who involved in the misappropriate of government money while she was in charge of the duties of the supplies division had been attached to the same section with effect from 05 May 2014 without being recovered the loss incurred by the government and without any disciplinary inquiry. | No comments. | Action needs to be taken in respect of officers who misappropriated government money in terms of existing rules and regulations. |

4. Accountability and Good Governance

4.1 Audit Committee

Audit Observation

In terms of paragraph 7.4.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, an audit committee meeting needs to be held once in 3 months and at least 4 meetings should be held per year. However, only 3 meetings had been held during the year under review and the implementation and follow up action in provisions committee decisions were at a weak level.

Management's Comment

No comments.

Recommendation

Act in accordance with circular instructions.