

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Cey-Nor Foundation Limited for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, 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. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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 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 Foundation 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 Foundation's or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Foundation 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 Foundation.

1.4 Auditor's Responsibilities for the Audit of the 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 skepticism 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 Foundation'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 Foundation'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 statements 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 Foundation 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 Foundation, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Foundation has complied with applicable written law, or other general or special directions issued by the governing body of the Foundation

- Whether the Foundation has performed according to its powers, functions and duties; and whether the resources of the Foundation had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

The following observations are made.

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) In accordance with paragraph 32 of Sri Lanka Accounting Standards No .01 although an entity shall not offset balances of assets and liabilities to income and expenditure each other unless permitted by a Standard, receiving of sales advances amounting to Rs. 1,912,508 had been offset to the debtors and had been stated in the financial statements.	Instructions have been given to carrying out from the year 2024 removing received advances of debtors from the debtors and transferring to the advances of sales account.	In accordance with the Standard unless permitted by a Standard also income and expenditure, assets and liabilities should not be offset to each other.
(b) In accordance with Sri Lanka Accounting Standards No.02 no provision had been done for damages regarding non-moving and slow moving inventories was amounting to Rs. 4,016,289 which had been submitted to the audit as at the date of 31 December 2023.	Action is being taken to sell these stocks are in the Head Office preparing as lots by a proper methods	Regarding stocks action should be taken in accordance with the standard.
(c) Contrary to the Section 07 of Sri Lanka Accounting Standards No.07 the value of Rs. 17,293,888 of fixed deposits of the year end had been taken in to consideration when calculating cash, cash and equivalent at the end of the year. Accordingly, in the statement of cash flow cash and cash equivalent as at 31 December 2023 had been over stated by Rs. 17,293,888 during the year under review.	Instructions have been given to correct in the financial accounts of the year 2024.	As per the standard investments should be identified as cash, cash and equivalent.
(d) As at the date of 31 December 2023 amounting to Rs.116,710,664 of Property Plant and Equipment with zero value and further use , although should be disclosed as per the Sri Lanka Accounting Standards No.08 action had not been taken accordingly.	Instructions have been given to make adjustments reviewing the residual value and the effective lifetime during the year 2024.	As per the standard the residual value and the effective lifetime should be reviewed.

- (e) The credit note of the provision of impairment loss amounting to Rs.1,961,850 relating to the Sri Banglas Boat joint venture, has been stated in the statement of financial position as investments has been included in the other non – trade payables and In accordance with the Sri Lanka Accounting Standards No. 36 although residual value of the assets subject to impairment should be disclosed in the financial statements since there had not been stated as, the value of the Sri Banglas boats as stated investments had been overstated.
- (f) The investment assets of the Foundation were the land of Mattakkuliya, Maththumagala land and boat yard in Kareinagar which regarding those assets in accordance with Section 75 and 79 of Sri Lanka Accounting Standards 40 had not been stated as investment assets, in the financial statements and those assets had been shown by adding under the Property Plant and Equipment.

Action will be taken to make adjustments using residual value of the assets impairment loss or subject to impairment residual value of the assets in the financial statements of 2024

As per the Standard residual value of the assets subject to impairment should be disclosed in the financial statements.

Instructions have been given to state as investment assets, in the financial statements in accordance with Section 75 and 79 of Sri Lanka Accounting Standards 40.

In accordance with Standards investment assets should be presented under the investment assets in the financial statements.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) An amount of receivable rent income of Rs. 452,000 receivable from a private Company as at 31 December 2023 had been accounted for under trade debtors without accounting as receivable rent income.	Instructions have been given to account for receivable rent income as receivable income, removing from the trade debtors account in the year 2024.	Receivable income should be accurately accounted
(b) Provision for doubtful debtors had not been made regarding total of Rs. 15,356,603 of debtors which were impossible to recover for a long period included the actual trade debtor balance of Rs.84,987,791 as at 31 December 2023	Instructions have been given to make provision for doubtful debts for the year 2024, finding possibility to payment of the old debtors.	Provisions for doubtful debts should be made regarding the debtors due for a long period of time.

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| (c) | No any written evidence with the Foundation regarding the other receipts of Rs.1,990,047 and for recovering of those balances or provisioning for doubtful debts for those balances which have been existed for a long period had not been made in the year under review. | Instructions have been given to make provision for receipts of material advances and other receipts during the year 2024, submitting the balances old more than 10 years to the Board of Directors. | For recovering of the balances of other receipt which have been existed for a long period or for that balances should be made provision for doubtful debts. |
| (d) | The balance of Rs. 28,901,200 of other advances which have been existed since year 2013 had not been recovered even by the date of 05 November 2024 and, provisioning for doubtful debts or had not been made for those balances in the year under review. | Instructions have been given to make provision for doubtful debts for which unsettled old balances in the financial statements of year 2024. | Action should be taken to recover the other advances. |
| (e) | Even though the balance Rs. 163,906,027 of deferred income added with the balance of gratuity provision had been shown in the statement of financial position as differed liability by that relevant information had not been adequately presented in the financial statements. | Instructions have been given to accurately present in the financial statements of year 2024. | Deferred income should be accurately presented in statement of financial position |
| (f) | The stores building located in Mattakkuliya owned to the Cey-Nor Foundation had been leased out to a private company on monthly lease basis and due to account for Rs. 1,600,000 of due lease income has been received for the last year as income of the year under review, the income of the year under review had been overstated by Rs. 1,600,000. | The due rent of the stores from 2023.01.01 to 30.07 2023 had been identified for the year 2023 and instructions have been given to adjust the balance to the profit and loss account of the year 2022. | Rent income of the period should be accounted for accurately identifying. |
| (g) | Due to reject the 24 Feet Ambulance boat which had finished for sending to Jaffna had been accounted for under the finished goods by the customer had been retained in the boat yard of Mattakkuliya Since 2020 Only the engine of that had been sold at a Rs. | Since the engine attached to the 24 Feet Ambulance boat has become inoperable it was sold very quickly. Therefore at the value of that engine to a Rs. 1,020,000 had been sold on proper procedure. The money | Adjustments should be made accurately identifying the profit or loss of sale of the engine. |

- 1,020,000 and however that value was debited to cash and credited to the finished goods account that had not been accounted for identifying profit or loss of those sales.
- receiving for that possible to verify from the receipt No 33823.
- (h) Since the buildings of the Kareinagar Boat yard which was handed over to the Cey –Nor Foundation as a donation by the Ministry of Fisheries amounted to Rs. 56,517,480 had been stated as cash out flow, the net cash flow generated from investment activities had been over stated by 56,517,480.
- Instructions have been given to correct in the financial statements of year 2024.
- The net cash flow generated from investment activities should be calculated accurately.
- (i) During the inspection of bank reconciliations of the bank account No. 090010002143 as at 31 December 2023 action had not been taken to settle identifying the unidentified credit value of Rs. 1,583,550 which has received to the bank in the years of 2018 and 2019
- Since the customer who has deposited this money has not early informed to that money deposited any document by wording or by written and this customer who credited was not identified and instructions have been given to take action regarding this in future.
- Action should be taken to settle the unidentified credits.
- (j) The economic service charges of Rs. 3,712,826 has been a balance carried forward since the year 2007 and the period of setting - off to the income tax had been elapsed and although it should be adjusted considering as an expenditure, since adjustments had not been made accordingly, other payables and retention of loss had been under stated by that amount.
- Instructions have been given to make adjustments for the economic service charges amount of Rs. 3,712,826 in the retention of profits in the accounts of 2024.
- Identifying the accuracy of the transactions which had been lapsed the off - setting period, Necessary adjustments should be made.
- (k) The balance of Rs. 10,406,699 of Nation Building Tax has been remain unchanged since the year 2018 and finding regarding that action had not been taken to make adjustments to the accounts.
- Instructions have been given to settle within 2024.
- Action should be taken to make settlement of balances of payable.

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| (l) | Tax certificates had not been with the Foundation for the confirmation of the balance Rs 1,119,030 out of the balance Rs.6,309,128 of With Holding Tax as at 31 December 2023 and since there was an uncertainty of recovering these tax amounts by the Department of Inland Revenue, action had not been taken to adjust this balance to the accounts by settling it down. | Instructions have been given to settle the With Holding Tax balance during the year 2024. | Action should be taken to settle the With Holding Tax balance. |
| (m) | Although the Foundation was not a registered Institute for the Value Added Tax. The balance of Rs.7,322,051 of Value Added Tax on purchasing (input tax) by the Cey Nor Foundation in the year 2022 had been stated under the other payables, action had not been taken to settle that balance. | Instructions have been given to settle the balance in the Tax Account. | Action should be taken to settle accurately identifying the balances payable. |
| (n) | An amount of Value Added Tax balance of Rs. 19,042,001 had been remained for a long period stated as a balance under the other payments had not been made corrections and accounted for. | Instructions have been given to submit schedules comparing with accounts. | Action should be taken to settle the Value Added Tax. |
| (o) | According to the bills issued by the National Audit Office relating to the years from 2018 to 2022 the total audit fees to be payable was Rs.2,219,040. However due to a Rs.971,100 had been accounted in the accounts as a trade creditors Accordingly, due audit fees to be payable had been shown less of Rs.1,247,940 in the accounts. | Since the bills had received to the institute only for Rs. 971,100 it is shown as the balance to be payable. Since there are no bills for the years of 2021, 2022 and 2023 only the provision has been made. | Identifying audit fees payable should be accurately made adjustments in the accounts. |
| (p) | Amounting to Rs. 323,516 of profit share receivable from the Cey-Nor restaurant for the year 2018 had not been recovered even by the date of 31 December 2023, and had not been disclosed. Further under the Note 16 in the financial statements of 2023, although a Rs. 10,025,000 as receivable fine rent income from the Cey-Nor restaurant had been accounted for under | As per the judgment of the case No. DRE(S)/00037/2023 dated 03 January 2024 of Direct Court in Colombo ordered to pay Rs. 5,000 per day to the Company by the lessee and accordingly the total amount receivable as at the date of 31 December 2023 is Rs. 10,025,000. | Required disclosures should be made to recover the share of profit receivable from the restaurant. |

the other receivable, the way of calculated that amount or no any document regarding that had not been submitted to the audit.

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| (q) | Regarding the Dikowita Fisheries Harbor Project an amount of Rs. 3,527,823 had been receivable from the Ministry of Fisheries since year 2014 had not been recovered and provisions had not been made for doubtful debts for that. | Dikowita Fisheries Harbor Project was older than 10 years and instructions have been given to take future measures taking action with the Project Section of the Ministry of Fisheries and on the response received. | Action should be taken to recover the amount due for a long period of time. |
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1.5.3 Unreconciled Control Accounts or Records

The following observations are made.

Item	As per Financial Statements Rs	As per corresponding Record Rs.	Difference Rs.	Management Comment	Recommendation
(a) Property, plant and equipment	1,125,589,046	1,124,984,110	604,936	A difference is shown when comparing schedules accordingly the financial statements. Instructions have been given to correct that difference in the year 2024.	Identifying the differences in balances as per the financial statements and the corresponding records required corrections should be made.
(b) Fixed deposit balance	16,240,545	16,844,131	603,586	No answers have been given.	
(c) Fixed deposit interest	3,164,992	2,561,406	513,586	Due to the action is taken to obtain before complete the period of fixed deposits, the bank is inform that the interest given only up to 24.10.2023. However as a result of the request was made by us, we were being given the total interest amount. Therefore the interest has been computed by us differ than the value of the audit.	

(d) Welfare Society Accounts	796,745	408,275	388,470	Action will be taken to make adjustments in the impairment losses in the financial accounts of 2024 or taking the carrying cost of the assets.
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1.5.4 Documentary Evidences not made available for Audit

Subject	Amount Rs.	Evidence not available	Management Comment	Recommendation
(a) Debtors	84,987,791	Balance confirmation letters	Instructions have been given to take actions to maintain from the year 2024 receiving of debtor advances from removing the debtors and transferring to the sales advances account.	Balance confirmation letters should be submitted.
(b) Deposits Receivables	616,113		Answers have not been given.	
(c) Capital Reserves	62,601,030		The amount of Rs. 62,601,030.04 was an old balance which has been remaining in the financial accounts since 2004	Submitting of information required to the audit should be made.
(d) Sales Advances	38,942,213	Detailed Schedules	Action will be taken to provide a schedule by reconciling the balances of sales advances.	
(e) Other Payables	118,570		There is no any register with our institute and it is expected to settle having the approval of the Director.	
(f) Unpaid salaries and wages	392,121		A case is handling in the Labour Court even now regarding employees, action will be taken to settle the balance by the judgment of the case.	
(g) Bank Account No. 002010016031	572,344	Bank confirmation letters	Instructions have been given to confirm the bank balance updating the documents in the year 2024.	

(h)	Value Added Tax	11,719,950	Ledger accounts or detailed schedules	Instructions have been given to provide schedules reconciling the accounts.
(i)	Bank securities	9,360,155	Letters of bank security or balance confirmations	There is a box file bank securities in a manner of secure in the Financial Section and it is possible to verify the accuracy from that.
(j)	Fixed Deposit Account No. 83302097	17,293,888	Fixed deposit certificate or renewal notice.	The renewal notice of this fixed deposit was being forwarded since before, to the email of the Finance Manager. It has been corrected from the middle half of the 2023. Obtaining the interest by the institute on the date of 25 October 2023. Again has been opened as a new fixed deposit after having accurate approval.

1.6 Accounts Receivable and Payable

1.6.1 Payables

	Audit Observation	Management Comment	Recommendation
(a)	In the balance of retention payable of Rs. 3,210,163 stated under the other payables, had been a total balance of Rs.2,938,158 payable to 18 institutions and individuals had been remained for more than 12 years and action had not been taken to settle finding about that lapsed balances.	Action will be taken to make adjustments for that balance doing a feasibility study during the year 2024 regarding that money.	Action should be taken to settle the payable amount which had been remaining for a long period.
(b)	Out of the total deposit balance of Rs. 51,920,259 including in the other payables, had been remained a balance Rs. 38,634,259 of deposits which lapsed more than 3 years and action had not been taken to settle finding about that balances during the year under review.	Instructions have been given to make adjustments in the final accounts of 2024 reconciling balances more than 3 years and doing feasibility to payments and identifying as revenue.	Action should be taken to settle the lapsed balances.

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

Reference to Non-compliance Laws, Rules Regulations etc	Management Comment	Recommendation
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| (a) | Letter of Incorporated Paragraph 3.3 and 3.5 | of Although the Cey-Nor Foundation limited is possible to engage in activities of producing ice, packing sea products, sale and export, production of fishing nets and production of boats and distribution etc. by only the manufacturing of boats, had been deviated from the objective of establishing the Foundation. | Instructions have been given to take action as per these sections. | As per the Letter of Incorporated action should be taken to fulfill the objective of the Foundation established. |
| (b) | Paragraph 53 of the Company Constitution | It was stated that the Annual General Meeting should be held that Annual General Meetings had not been held in 2018, 2019, 2020, 2021 and 2022 | Instructions have been given to take action as per these sections. | As per the Company Constitution Annual General Meeting should be held. |
| (c) | Paragraph 58 of the Company Constitution | Even though the Chairman of the Foundation should be appointed by the Board of Directors in the Annual General Meeting appointing of the Chairman had been done by the Secretary of the General Treasury. | Instructions have been given to take action as per these sections. | As per the Company Constitution Chairman should be appointed by the Board of Directors. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.3,482,963 and as against the preceding year was a deficit of Rs.9,867,625. Accordingly the improvement of financial result was amounting to Rs.13,350,588. Increase in income of other operational expenses by 50 percent that is Rs. 14,020,675 with compared to the previous year had been mainly attributed this improvement.

2.2 Ratio Analysis

- (a) The current asset ratio of the previous year and the current year was 1: 1.43 and 1: 1.35 respectively. Increase in payables by 22,007,450 that is 28 per cent and trade creditors by Rs.34,577,501 that is 265 per cent in the current year had been mainly attributed to the decrease.
- (b) The quick ratio of the previous year and current year was 1: 0.8 and 1: 0.9 respectively. Increase in trade debtors by Rs. 45,395,732 that is 179 percent of the current year had been mainly attributed to improve this ratio.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) In the year 2011, amounted to Rs. 5,059,049 raw materials required to produce fishing nets had been given to a private institution under a sub contract basis and out of that only amounted Rs. 149,274 of fishing nets had received to the foundation and fishing nets for the balance value of raw materials was Rs. 4,909,775 had not received up to now.	In the year 2011 had been given to a private institution by the North Sea Limited and instructions have been given to settle by discussing in future.	Action should be taken to recover the money receivable for a long time.

3.2 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) According to the schedule submitted to the audit the value of Rs. 4,585,958 which have been given as cash margins and bank guarantees lapsed in the year 2017,2018,2019 and 2021 had not been realized.	Instructions have been given to adjust accurate value of securities reconciling unrealized old bank guarantees in the financial accounts of 2024.	The value of bank guarantees have been given as cash margins should be adjusted to the accounts realizing.
(b) The order has received to the Fisheries and Aquatic Resources department for handing over by finishing two boats had been given to the North West institute and Rs. 30,321,343 had been paid to that institute in the year 2017. Action had not been taken to hand over to the Foundation by finishing the works of those boats by the North West institute.	Two fishing vessels No. IMUL-A-0061KMN and IMUL-IMUL-A-0062KMN of two 59.5 fishing boats which are to be produced through our institute by the Department of Fisheries. Since our institute had produced 5 boats of 59.5 by 2017 orders has been given to the North West Marine institute. The concurrence of the Department of Fisheries has been given to produce by North West Marine institute. Those two vessels have not been completed and handed over to us by them yet. It was informed that in verbally to the North West Marine institute that action will be taken to launch that in the year 2024.	Action should be taken promptly to complete the jobs of those two boats.