**Cey-Nor Foundation Limited - 2024**

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## 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 2024 comprising the statement of financial position as at 31 December 2024 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 2024, 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 Responsibility 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 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 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 Reference to the Relevant Standard | Comments of the Management | Recommendation |
|---|---|---|---|
| (a) | Even though paragraph 54 of Sri Lanka Accounting Standards No. 01 states that the items of property, plant and equipment and investment property should be indicated separately, the investment properties such as Mattumagala Land, Karainagar Boatyard, and Mattakkuliya Boatyard have not been indicated separately in property, plant and equipment. | Instructions have been given to indicate them separately in the 2025 financial statements. | As per the Standard, the items of property, plant and equipment and investment property should be indicated separately |
| (b) | As per Section 07 of Sri Lanka Accounting Standard No. 07, for an investment to qualify as cash and cash equivalents, the investment should be able to be easily encashed. However, the value of fixed deposits of Rs.23, 812,969 held with a maturity of 06 months, was indicated as cash and cash equivalents. Accordingly, the cash and cash equivalents as at 31 December 2024 in the cash flow statement of the year under review were shown overstated by that amount. | The interest on fixed deposits is higher for deposits of 06 months. Therefore, since the institution has a high financial provision, it is maintained in the same manner. | Cash and cash equivalents should be identified correctly as per the Standard. |
| (c) | Even though the depreciation policy used in respect of property, plant, and equipment should be disclosed in the financial statements in accordance with paragraph 73 of Sri Lanka Accounting Standards No. 16, the depreciation policy had not been disclosed in the financial statements of the Foundation. | Instructions have been given to disclose the depreciation policy in the financial statements in the year 2025. | The depreciation policy used for property, plant, and equipment should be disclosed in accordance with the Standard. |
| (d) | Even though the fair value of assets that are still in use but have been fully depreciated should be disclosed in the financial | Instructions have been given to take action to disclose the fair value of assets in the | The fair value of fully depreciated assets should be disclosed in |

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| | statements in accordance with paragraph 79 (b) of Sri Lanka Accounting Standards No. 16, action had not been taken in accordance with the Standard in respect of assets worth Rs. 111,674,701 which had been fully depreciated as at 31 December 2024. | financial statements for the year 2025 in accordance with the Standard. | accordance with the Standard. |
| (e) | Even though, in accordance with Sri Lanka Accounting Standards No. 20, non-monetary government grants should be amortized on a systematic basis over the periods in which the expenses are recognized, and the amortization policy should be disclosed in the financial statements, the assets worth Rs. 22,650,000 provided to the Foundation during the year under review had not been amortized in this manner. | In accordance with Sri Lanka Accounting Standards No. 20, non-monetary government grants have been amortized correctly. | In accordance with the Standard, non-monetary government grants should be amortized, and adjustments should be made in the financial statements. |
| (f) | Even though the carrying amount of assets subject to impairment should be disclosed in the statement of financial position in accordance with Sri Lanka Accounting Standards No. 36, the carrying amount of the impairment loss relating to the Sri Bangla Boats joint venture amounting to Rs. 1,961,850 was not disclosed accordingly and had been stated as the cost. | Action will be taken to disclose it in the statement of financial position in accordance with Standard No. 36. | The carrying amount of assets adjusted for impairment losses should be disclosed in the financial statements in accordance with the Standard. |
| (g) | In relation to the case filed by a former General Manager of the Foundation seeking compensation in the Labour Tribunal, a decision was made to pay compensation of Rs. 9,400,000 before 17 July 2025, and it had not been possible to file an appeal so far due to the failure to meet the relevant bail conditions. Provisions had not been made in this regard in accordance with paragraph 14 of Sri Lanka Accounting Standards 37. | This case has been filed again in the High Court and a decision has not yet been received to pay it definitively. Action will be taken to make an estimated provision in the year 2025. | Provisions regarding contingent liabilities should be identified correctly in accordance with the Standard. |
| (h) | Even though the cases filed by the institution and the cases filed against the institution should be clearly disclosed in the financial statements in accordance with paragraph 86 of Sri Lanka Accounting Standards No. 37, 02 cases filed by the Foundation and 03 cases filed against the | All these cases are still pending in the court. Action will be taken to disclose the cases filed by the institution and the cases filed against the institution in the financial accounts of the year 2025 in | In accordance with the Standard, the cases filed by the institution and against the institution as at the date of preparation of the financial |

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| | Foundation had not been disclosed in the financial statements. | accordance with paragraph 86 of Sri Lanka Accounting Standards No. 37. | statements should be disclosed in the financial statements. |
| (i) | In accordance with Sri Lanka Accounting Standards 40, it had not disclosed in the financial statements whether the investment assets were valued under the cost model or the fair value model. | The investment assets were valued under the cost model and instructions were given to disclose that model in the 2025 financial statements. | The model in which the investment assets were valued should be disclosed in the financial statements. |
| (j) | Contrary to the 31 of Sri Lanka Financial Reporting Standards No. 15, the money received for the goods related to 23 sales invoices of the year 2024, the total amount of Rs. 54,893,100 that had not been delivered to the customer as at 31 December 2024 should have been accounted as an advance and a liability. However, it had been accounted as sales of the year 2024. | All the manufacturing activities were concluded and made available to the institutions that ordered them, and there was a delay in taking them by those institutions. There is distribution congestion in the distribution of orders and some of the goods have been delivered to the customers. | The relevant sales revenue should be recognized correctly in accordance with the Financial Reporting Standards. |

### 1.5.2 Accounting Deficiencies

The following observations are made.

| | Audit Observation | Comments of the Management | Recommendation |
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| (a) | As per the Bank Securities Schedule, the overdue bank securities amounting to Rs. 1,383,911 in the year 2017 were continuously indicated as current assets in the financial statements and action had not been taken to extend the period or convert them into cash. | All the bank securities have been submitted to the audit. Instructions have been given to refer the old balances to the Board of Directors and dispose of them. | The values of overdue bank securities should be adjusted in the correct accounts. |
| (b) | The provision for employee gratuity for the year under review was Rs. 4,095,417 which should have been added in the net profit before tax under operational activities in the cash flow statement. However, it had been understated by that amount. In respect of the year 2024, gratuity payments of Rs. 578,642 were paid to two officers. However, a sum of Rs. 7,612,193 was added as gratuity payments under operational activities. | Note 19 of the financial statements should be corrected. This is due to a numerical difference and does not affect the profit and loss and cash flow statement. | Employee gratuity provisions and payments made in cash should be correctly adjusted to the cash flow statement. |

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| (c) | The total of Rs. 20,411,373 for after-sales services and Fish Aggregating Devices (FAD Buoy) provisions was not adjusted to the net profit before tax in the cash flow statement, and therefore, the net cash flow generated from operational activities in the cash flow statement had been understated by that amount. Although the cash flow could not be adjusted for the rectifications of errors of Rs. 12,479,701 in previous years, it was deducted from the net profit before tax in the cash flow statement, and therefore, the operating profit before working capital adjustments had been understated by that amount. | Instructions have been given to adjust the after-sales services and FAD Buoy provisions to the net profit before tax in the cash flow statement. Instructions have also been given not to adjust rectifications of previous years to the cash flow statement. | Allocations of provisions after sales should be correctly adjusted to the cash flow statement. Adjustments related to previous years should not be adjusted to the cash flow statement. |
| (d) | Even though the lease rental income of Rs. 24,511,291 relating to the year under review should have been deducted from the net profit before tax, it was not adjusted. Hence, the operating profit before working capital adjustments was overstated by Rs. 24,511,291. Since the amount received in cash as the lease rental income for the year was shown as Rs. 23,266,774 under investing activities as Rs. 24,511,291, the cash flow generated from investment activities had been overstated by Rs. 1,244,517. | Instructions have been given to correctly adjust the lease rental income for the year and correct the actual amount received as lease rental income in the 2025 financial statements. | The lease rental income and lease rental income received by cash for the year should be correctly adjusted in the cash flow statement. |
| (e) | Even though the Foundation has disclosed under Note 2.2.1 that keeping accounts are carried out on the cost or net realizable value, whichever is lower, the profit of the Foundation for the year under review was overstated by Rs. 450,000 due to the fact that the market value and cost of two vessels included in the trading stock as at 31 December 2024 were stated in the financial statements as Rs. 642,161. | Instructions have been given to rectify the revaluation in the year 2025. | As per the Standard, the stock should be recognized as cost or net realizable value, whichever is lower. |
| (f) | Even though the unidentified receipts should be identified and settled in the following month, according to the bank reconciliation statement of December 2024 relating to a State Bank current account, there were unidentified receipts from the year 2018 to 2024 totalling Rs. 3,659,354 and had not been settled and accounted even by 07 November 2025, the date of the audit. | The deposits shown as unidentified receipts from 2018 to 2024 are money directly deposited into our account without any identification. Since there is no evidence to identify these receipts as income or receipts of our institution, these receipts have been indicated in the bank reconciliations. | The receipts methodology should be introduced so that all receipts can be accurately identified. |

### 1.5.3 Documentary evidences not made available for audit

| | Item | Amount Rs. | Audit evidences not provided | Comments of the Management | Recommendation |
|---|---|---|---|---|---|
| (a) | Other Receivables | 206,703 | Confirmation Documents, Balance Confirmations | This balance is shown in the accounting system as 102863 under Invoice No. 12922 on 07.07. 2010 and 103824 under Invoice No. 13230 on 10.11. 2010. Instructions have been given to make a provision. | The necessary documents and balance confirmations should be submitted to the audit. |
| (b) | Government Institutions, Private Institutions and Individual Debtor Balances | 85,024,104 | Balance Confirmation Documents, Balance Confirmations | Action will be taken to obtain the debtor balance for the year 2025 and verify its accuracy and submit the same to the Board of Directors to make a provision. | Do |
| (c) | The Material Advances and Other Receivables | 1,990,047 | Confirmation Documents, Balance Confirmations | This balance is 15 years old. Instructions have been given to refer it to the Board of Directors to make a provision. | Necessary documents and balance confirmations should be submitted to the audit. |
| (d) | Receivable Deposit Balance deposited with Various Institutions | 616,133 | Source Documents for Confirmation | A sum of Rs.281, 612 has been kept as refundable deposits for the Electricity Board. An amount of Rs.200, 000 from NAQDA is attached in voucher 68215. | Action should be taken to recover the old balances receivable to the Foundation. |

## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

| | Audit Observation | Comments of the Management | Recommendation |
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| (a) | As at 31 December 2024, out of the debtor balance of Rs. 85,024,104, there was a debtor balance of Rs. 30,049,547 that existed from 2002 to 2017, which was 35 percent of the | The Marketing Division has taken action to recover the debtor balances from the respective institutions, but it | Action should be taken to recover the debt balances in a timely manner and to |

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| | total debtor balance. Among those debtor balances, in addition to external debtors, there were also loans of Rs. 7,816,786 from the government institutions, and action had not been taken to recover those loans. | has been in vain. Since some of the balances are more than 15 years old, there are no relevant documents in those institutions in this regard. Instructions have been given to pay full attention to those balances and recover them. | take formal measures regarding the recovery of outstanding debtor balances. |
| (b) | A private institution had been provided with raw materials worth Rs. 5,059,049 for the production of fishing nets under sub contract basis, out of which only Rs. 149,274 worth of fishing nets had been received by the Foundation. The remaining raw materials worth Rs. 4,909,775 had been indicated as receivable in the financial statements from the year 2011 to the year under review. Action had not been taken to recover the balance in the year under review, nor had any legal action been taken against the institution. | Even though balance confirmation letters have been sent through registered post, there has been no response. Instructions have been given to make a provision in the year 2025. | Formal methodologies should be prepared to recover the outstanding loan balances. |
| (c) | The balance of Rs. 29,088,096 indicated as other advances in the statement of financial position as at 31 December 2024 has existed since 2013, and action had not been taken to recover that balance even by the date of audit. | Instructions have been given to make a provision for the old balances. | Action should be taken to recover the advances. |
| (d) | The specified construction activities in relation to Dickowita Fishery Harbour Project on which the constructions had been carried out by the Ministry of Fisheries through the Foundation and a sum of Rs.1,770,766 for the building premises and Rs.1,757,057 for the land premises, total sum of Rs.3,527,823 had to be recovered from the Ministry of Fisheries for that. These balances relate to the period from 2012 to 2017 and the necessary action had not been taken to recover such balances. | Even though the requests had been made several times to release this balance existed as the retention money of Dickowita Fishery Harbour, a letter verifying that such money had not been given to us in the year 2025 had been sent to us by the Ministry of Fisheries. The instructions had been given to make an allocation by referring to the Board of Directors. | The step should be taken to recover the balance receivables by submitting the confirmation documents or if the receipt is uncertain, the required adjustments should be made. |
| (e) | Though it had been mentioned a balance receivable of Rs.9, 204,498 from North Sea | The balance of this North Sea Limited is old more | The action should be taken to immediately |

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| Limited as per the statement of the financial position as at 31 December 2024 of Foundation, a balance of Rs.2,262,237 had been mentioned as receivable from Cey-Nor Foundation as at 31 December 2024 as per the direct balance confirmation from North Sea Limited. No action had been taken to settle such balances after reconciling. | than 12 years and though several rounds of discussions had been held, it couldn't be reached to the final conclusions on these balances. Therefore, the action is being taken to make an allocation in the future. | settle by reconciling the balances. |

### 1.6.2 Payables

| | Audit Observation | Comments of the Management | Recommendation |
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| (a) | The trade creditors of Rs.1, 348,430 existed in the range from 05 to 14 years had not been settled even by 31 December 2024. | The instructions had been given to make an allocation having verified the accuracy by obtaining balance confirmation letters within 2025. | The step should be taken to settle old creditor balances or if the payments are uncertain, those should be taken into income. |
| (b) | The deposit balance of Rs.38, 634,259 exceeding more than 05 years had existed in the payable deposit balance of Rs.60, 573,464 included in other payables. No step had been taken to settle in the year under review after finding out about those balances. | The requests had not been made for the balances more than 05 years and the payments will be made only on deposit balances. | The action should be taken to settle after finding out other deposit balances. |
| (c) | A balance of Rs. 2,938,166 prevailed more than 13 years payable to 18 persons and institutions and a balance of Rs.117,701 prevailed from 05 to 07 years had been included in the balance of Rs.412,620 in the unclaimed gratuity account payable to two officers since 2016 and retention payable balance of Rs.3,210,163 enclosed in the other payables. No action had been taken to settle said overdue balances after examining. | Though the activity had been finished, the requests had not been received to release this money. The instructions had been given to identify this balance as an income after referring to the Board of Directors. | The step should be taken to settle it having found out the reasons for prevalence of old long term retained balances. |
| (d) | No action had been taken to settle the salaries and wages of Rs.153, 009 not settled more than 10 years and unclaimed salaries and wages of Rs.178, 145 not settled more than 05 years in unclaimed | This balance is a balance of the employees who had left the service and no request had been made by any employee in relation to unclaimed salaries & | The action should be taken to settle after examining the old balances. |

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| salaries and wages balance of Rs.485, 333 included in other payables in the year under review. | wages. The instructions had been provided to identify these balances as income by referring to the Board of Directors. | |

## 1.7 Non-compliance with laws, rules, regulations and management decisions

| | Reference to laws, rules and regulations | Non-compliance | Comments of the Management | Recommendation |
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| (a) | Operation Manual submitted along with Public Enterprises Circular No.01/2021 dated 16 November 2021 | | | |
| | (i) Section 6.3 | Even though the loan should be obtained on the approval of Board of Directors by the state companies incorporated under the Companies Act, the approval of Board of Directors obtained in relation to bank overdraft balance of Rs.27, 278,779 as at 31 December 2024 had not been presented to the audit. | This is an overdraft balance obtained in the earlier stage after incorporating this institute. | The formal approval of Board of Directors obtained for bank overdraft balance should be submitted to the audit. |
| | (ii) Section 6.6 | Even though the Annual Reports should be tabled in the parliament within 05 months from the end of the financial year, the Annual Report for the year 2023 had not been tabled even by the date of audit by Cey-Nor Foundation Limited. | The Annual Reports up to 2020 had been tabled in the Parliament. The reports for the years 2021 and 2022 had been completely printed. The action is being taken to table in the Parliament. The reports for 2023 and 2024 had been completely drafted. The action is being taken to print those reports. | The Annual Report should be tabled in the parliament within 05 months from the end of every financial year. |

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| | (iii) Section 6.7 | The annual survey reports carried out in relation to the fixed assets had not been submitted to the audit even by 07 November 2025 which is the date of audit. | The action is being taken to carry out a fixed assets valuation. | The board of survey reports should be submitted to the audit. |
| (b) | 4.4 guideline of the Guideline for Public Enterprises submitted along with Public Enterprises Circular No.01/2021 dated 16 November 2021 | Though an Internal Auditor should be appointed by all public enterprises, the post of Internal Auditor of Foundation had been vacant more than one year by 07 November 2025 which was the date of audit. | The Internal Auditor had resigned from the service after September 2024 and lady officer who had served as the Audit Assistant had gone abroad for employment in December of that year. Though it had been referred for required approvals for appointment of an Internal Auditor, the approval had not been received so far. | The step should be immediately taken to fill the vacancies in the post of Internal Auditor. |
| (c) | Memorandum of Association Paragraphs 3.3 and 3.5 | Contrary to the activities such as ice production, packaging of ocean products, selling and exports production of fishing nets and manufacturing and distribution of boats which are the objectives of the establishment of Foundation, the activities such as boat manufacturing, lottery stalls, polythene for production seed and house constructions had been carried out. | The manufacturing activities hereditary to us in the Articles of Association are performed by us and it had occurred to order various projects for duly maintenance of the cash flows for the existence of institute. | The action should be taken to fulfil the objectives mentioned in the Articles of Association. |
| (d) | Paragraph 53 of the Articles of Association | The annual general meetings had not been conducted from 2018 to 2023. | The step is being taken to conduct the annual general meeting immediately. | The annual general meeting should be conducted in every year. |

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| (e) | Paragraph 58 of the Articles of Association | Even though the Chairman of the Foundation should be appointed by the members of the Board of Directors at the Annual General Meeting, it had not been appointed in that manner. | The action is being taken to conduct Annual General meetings without delay. | The Chairman of the Foundation should be appointed by the members of Board of Directors at the annual general meeting. |

## 2. Financial Review

### 2.1 Financial Result

The financial result of the year under review was a surplus of Rs.6, 124,428 and correspondingly it was a surplus of Rs.3, 482,963 in the preceding year. Accordingly, an improvement of Rs.2, 641,465 was observed in the year under review as compared with the preceding year. The reason for this improvement is increase of other operating income by Rs.48, 447,015 or 115 Percent as compared with the preceding year.

## 3. Operational Review

### 3.1 Operational Inefficiencies

| | Audit observation | Comments of the Management | Recommendation |
|---|---|---|---|
| (a) | The Action Plans prepared by institute for the years 2023 and 2024 had not been prepared as per the strategies enclosed in the Corporate Plan and though two years had elapsed from the preparation of the Corporate Plan related to 2023-2027 by 07 November 2025 which was the date of audit, the activities had not been commenced to reach the targets for that. Therefore, said Corporate Plan had become mere a document which is not practically implemented. | As per the Corporate Plan, it was unable to reach towards the objectives with 100 percent and such activities had been commenced as an initiative. | The annual action plans should be prepared in compliance with the Corporate Plan. |

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| (b) | In accordance with the approved Action Plan in the year 2024, the total estimated sales income was Rs.341, 870,357 and the progress pertaining to 14 activities from the activities included in it is 0 percent. The estimated total sales income not achieved in relation to such activities was Rs.245, 919,130 or 71.9 percent from the estimated total sales income. | Our Action Plan had been prepared based on the capacity of the yard and the all estimated income which had been included in the Action Plan by us in receipt of orders is not received. The orders equal to estimated sales by us are obtained from other income source. | The action should be taken to accurately prepare the estimates enabling to achieve. |
| (c) | The physical progress of 08 activities as per the progress of the Action Plan is in low level less than 33 percent and the estimated total sales income was Rs.43,905,969 or 12.8 percent in relation to such activities not achieved. | Though it had been estimated as per the Action Plan, it couldn't be obtained from such quantity ordered. Those are received less or more. Though said estimated total income is less, it has to be verified the going concern of the institute by increasing the sales income other fibre products. The instructions had been given to realistically prepare the Action Plan and achieve the estimated income in 2026. | The plans should be accurately prepared having identified the achievable targets. |

**3.2 Management Inefficiencies**

| | Audit Observation | Comments of the Management | Recommendation |
|---|---|---|---|
| (a) | A sum of Rs.3, 728,046 had been paid as overdraft interest in relation to an account maintained in a government bank by institute in the year under review and it was 5.4 percent from the total expenditure of institute. | The bank overdraft interest in the year under review had taken a higher value. The all operating activities are carried out through bank overdraft account. Therefore, huge money had to be paid as overdraft interest. | The finance should be managed enabling to minimize overdraft. |
| (b) | A sum of Rs.31, 931,782 had been paid in 2017 for making an order two vessels provided to a private company on subcontract basis by Foundation and no step had been taken to complete the work of such two vessels at the end of year under review and hand over to Department of Fisheries and Aquatic Resources. | The monitoring activities of these had been assigned to us and the instructions and the advices had been provided to us for immediately completion it and handing over to the Department of Fisheries and Aquatic Resources. Presently, the production activities of one vessel had been completed and | The measures should be taken to complete the constructions of remaining vessel and hand over. |

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| | | handed over to Department of Fisheries and Aquatic Resources. | |
| (c) | Karainagar boat yard had been provided to a private company for a monthly lease amount of Rs.300, 000 for six months period from 10 May 2023 for solar panels boat research and development activities. The action had not been taken to recover the outstanding lease rental of Rs.699, 625 from that institute up to 07 November 2025 which was the date of audit and the agreement had been ended on 09 November 2023. | The step is being taken to recover an outstanding amount of Rs.699, 625 of the institute on which Karainagar boat yard had been given on lease basis. | The outstanding money should be recovered without delay. |
| (d) | 24 feet Ambulance vessel with a value of Rs.3, 365,896 manufactured by Foundation for sending to Jaffna had been kept in Mattakuliya boat yard since 2020 due to refusal by the buyer and no action had been taken to hand over it or sell to an another party or get legal action against the above buyer in the year under review. | The action is being taken to sell 24 Feet Ambulance again. | The action should be taken to sell it again and get legal action against the buyer. |
| (e) | 50 eligible candidates had been called for the interview out of the applications received for 02 Management Assistant posts (non-technical). 23 candidates had participated for the interview and only one person had been selected for one post while there were 02 candidates who had obtained the highest equal marks. The person who came to the place of 16 in accordance with the sequential order of the marks had been selected while there are candidates who had obtained the higher marks for the other post. | In accordance with the recruitment procedure approved on 13.07.2012, the approval should be obtained from the Department of Management Services for the posts expected to be recruited at the time of new recruitment in accordance with the scheme of recruitment for the post of Management Assistant. Subsequent to obtaining said approvals, the paper advertisements should be made. The recruitments had been made for the post of Management Assistant with the instructions and approval of former Chairman and Board of Directors on the requirement of the institute. | The recruitments should be always made in transparent manner as per the scheme of recruitment. |
| (f) | Though it had been mentioned that 05 years satisfactory period of service should be completed in Grade 1 of relevant field of junior management service category by the internal candidates under " qualifications for recruitment of | The new recruitments had not been made for this post as per the specified methodology and if a new recruitment is made in accordance with the recruitment procedure, the approval of the Department of Management service should be obtained. The | In accordance with the Scheme of Recruitment, the step should be taken to recruit the persons with the specified qualifications for the |

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| | internal candidates to Grade II of service category" as per the paragraph 5.4 of the scheme of recruitment for the pots of "management" service category. The lady officer who had been promoted to the post of information technology management (Grade II) had acted in the post in Grade I of relevant field of junior management service category for a period of one year and one month and acted in the post of above information technology management post only for a period of 07 months. | obtaining a Degree pertaining to the relevant field and three years' experience which are the minimum qualifications in the recruitment for Grade MM1-1 should be fulfilled by the candidates. But, said qualification had not been fulfilled. If an internal promotion is granted as per the scheme of recruitment, a period of 05 years should be completed in the junior management post. The adequate qualifications for granting an internal promotion had not been completed. The post of information technology management post had been given with the instructions and approval of former Chairman and Board of Directors. | post. |
| (g) | A lady officer had been recruited on 25 March 2024 for the post of Secretary in Chairman's Office not included in the approved cadre without obtaining the approval of the Department of Management Services a sum of Rs.1, 291,250 had been paid as salaries by 07 November 2025. | Though the action had been taken to recruit for this post which is required post in Chairman's Office with the majority approval of the Board of Directors held on 24.11.2023, Since it is not a post in the approved cadre of institute, the specified recruitment procedure couldn't be performed. The monthly salary of Rs.75, 000 related to this post had been given with the approval of Board of Directors. | The action should be taken to recruit subsequent to obtaining the approval of relevant institutes. |
| (h) | Even though it had been clearly mentioned that the all subjects should be passed in the General Certificate of Education (Advance Level) under (b) of the recruitment qualifications for management assistant technical- services category as per the scheme of recruitment, lady officer who had been recruited to the post of management assistant (technical) – Draftsman in the year under review had appeared for Advance Level in 2020 in maths stream and only passed one subject out of 03. | The persons who had been recruited for this post had not been fulfilled the qualifications as per the scheme of recruitment. These recruitments had been made in accordance with the instructions of Chairman and General Manager. The approval of the Prime Ministers' Office had not been received so far for these contract appointments and the step will be taken to provide the relevant appointments after examining the qualifications as per the scheme of recruitment in extension of the period of contract after receiving the approval. | As per the scheme of recruitment, the measures should be taken to recruit only the officers who had fulfilled the due qualifications. |

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| (i) | 02 vacancies in relation to 03 posts in the top management level, 09 vacancies in relation to 11 posts in the middle management level and 08 vacancies in relation to 09 posts in the junior management level had existed by 07 November 2025 which was the date of audit.Since 16 vacancies with regard to 43 management assistant posts and 33 vacancies with regard to 69 posts in the primary level, no action had been taken to fill the vacancies or amend while daily business and operation activities of Foundation had been carried out. | It had been referred to the Prime Minister's Office for obtaining approval for the recruitment to these vacant posts and the action will be taken to fill the relevant vacancies after examining the qualifications having obtained the approval. | The action should be taken to immediately recruit the persons with the specified qualifications as per scheme of recruitment. |
| (j) | It was observed in the audit that the officers in low level act in the posts such as Factory Manager, Boart Yard Manager in relation to the middle management level and Administrative Officer, Sales Officer, Accounting Officer, Production Officer, Quality Control Officer and Supplies Officer in relation to junior management level and there was a contract employee for the post of the post of Sales Manager. It couldn't be performed the duties in their substantive posts due to the prevalence of a large number of vacant posts in middle and junior management level and acting in the posts more than 02 years in the low level. It was also observed in the audit that it had adversely affected to the fulfilment of the objectives and the performance. | Very experienced officers on such fields had been appointed for all acting appointments. Since it is unable to recruit for the permanent appointments and pay the salaries on financial instability of the institute, the duties of such posts are covered by payment of an allowance only. The approval of the Board of Directors had been granted to give the permanent appointments to the officers who had fulfilled the qualifications for these posts by conducting the internal interview as per the scheme of recruitment. After recruiting to such posts, the action will be taken to recruit on requirement for the vacant posts. | The measures should be taken to promptly recruit the persons with the specified qualifications as per the recruitment scheme and to complete the vacancies. |