

Ceylon Fishery Harbours Corporation - 2024

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Ceylon Fishery Harbours Corporation 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, and the Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Corporation. Because of the significance of the matters discussed in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

My opinion is disclaimed 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 disclaimer 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 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 intends 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 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 Corporation.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

It is my responsibility to issue the auditor's report on the financial statements of the Corporation based on the audit conducted in accordance with Sri Lanka Auditing Standards. However, due to the matters described in the Basis for Disclaimer of Opinion section, I was unable to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with Reference to Relevant Standard	Comments of the Management	Recommendation
(a.) Sri Lanka Accounting Standards No. 07		
(i) The net cash flow generated from investing activities decreased by Rs. 44,465,528 due to not recognizing the cost of Rs. 3,695,306 incurred for work in progress during the year under review contrary to paragraph 16(a) of the standard, recognizing the value of Rs. 22,659,424 paid during the year for the acquisition of long-term assets as Rs. 70,820,258.	Agreed. All the matters pointed out in the audit report have been addressed and steps have been taken to correct the errors in accordance with Sri Lanka Accounting Standards No. 07.	Actions should be taken in accordance with Sri Lanka Accounting Standards.
(ii) No disclosure had been made in the cash flow statement regarding the interest received on the cash of Rs. 4,484,141 in the year under review as per paragraph 31 of the standard.	Agreed. All the matters pointed out in the audit report have been addressed and steps have been taken to correct the errors in accordance with Sri Lanka Accounting Standards No. 07.	Actions should be taken in accordance with Sri Lanka Accounting Standards.
(iii) Due to being recognized adjustment of the donations that have been in existence for over 10 years (Prompeached Receipt) amounting to Rs. 2,215,769 to the accumulated profit as cash inflows in the statement of cash flow contrary to paragraphs 43 and 44 of the standard, net cash flow under investment activities had increased by the same amount.	Agreed. All the matters pointed out in the audit report have been addressed and steps have been taken to correct the errors in accordance with Sri Lanka Accounting Standards No. 07.	Actions should be taken in accordance with Sri Lanka Accounting Standards.

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| (iv) | Although working capital changes should be identified based on gross debtors when preparing the cash flow statement, the net cash flow under operating activities has been increased by Rs. 2,461,611 due to adjusting the change of the working capital based on the net debtors in the statement of financial position by the Corporation. | The accounting errors that occurred in preparing the cash flow statement will be corrected and the cash flow statement will be re-arranged. | When preparing the cash flow statement, changes in working capital should be identified based on gross debtors. |
| (v) | Despite the operating income in the comprehensive income statement includes the fines and surcharges of Rs. 1,259,793, which has been recognized as income, the net cash flow generated from operating activities had increased by that amount due to that the amount had been added to the profit before tax again in the cash flow statement. | Action will be taken to correct the accounting errors that occurred while preparing the cash flow statement and re-arrange the cash flow statement. | Adjustments should be made correctly when preparing the cash flow statement. |
| (vi) | Although the change in trade payables during the year under review had a positive impact of Rs. 18,012,887, net cash flow generated from operating activities decreased by Rs. 35,915,754 due to the recognition of a negative impact of Rs. 17,902,867 under changes in working capital in the cash flow statement. | The accounting errors that occurred while preparing the cash flow statement will be corrected and measures will be taken to re-arrange the cash flow statement. | Changes in trade payables should be properly recognized under changes in working capital in the cash flow statement. |
| (vii) | Even though the change in pre payments had a positive impact of Rs. 4,778,452, net cash flow generated from operating activities had decreased by Rs. 9,556,904 due to the fact that it is recognized as a negative impact under changes in working capital in the cash flow statement. | Measures will be taken to correct the accounting errors that occurred while preparing the cash flow statement and re-arrangements will be made to prepare the cash flow statement. | Changes in prepayments should be properly recognized under changes in working capital in the cash flow statement. |
| (b) | Sri Lanka Accounting Standards No. 08 | | |
| (i) | As indicated in paragraphs 42 and 43 of the standard, the fuel expenditure of Rs. 5,272,100 paid by the Head Office to the Beruwala Harbour in relation to the supply of fuel for the Ruhunu Putha ship in the previous year had been debited by the Head Office to the cash book of the | Agreed. Measures had been taken to make prior year adjustments and accounted for through the Journal No. 30 of the year 2025. | Actions should be taken in accordance with Sri Lanka Accounting Standards. |

Beruwala Harbour without being recorded as an expense.

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| (ii) | In accordance with paragraph 42 of the standard, the total of Rs.29,092,873 in previous years had been adjusted to the opening balance of retained earnings without disclosing any corrections. | Adjustments are made to correct errors relating to prior periods in accordance with paragraph 49 of Accounting Standard No. 08. | Actions should be taken in accordance with Sri Lanka Accounting Standards. |
| (iii) | Despite the opening and closing stocks of fuel and gas at 24 harbours of the Corporation during the year under review had been taken into account in calculating the operating profit of the harbours, once again the difference between the stocks, amounting to Rs. 33,354,672, had been debited to retained earnings. | It is informed you that steps will be taken to correct this in due course. | Retained earnings should be recognized correctly. |
| (iv) | The profit for the year under review had been overstated by that amount in correcting the error of debiting expenses of Rs. 2,220,772 incurred for the project to extend the roof of the auction hall at the Beruwala Fishery Harbour in the year 2023 without debiting it to the assets of that year due to the crediting of the repair and maintenance expenses account in the previous year and the debiting of the assets account. | Agreed. Noted to correct it. | The related expense should be recognized in the financial statements on a retrospective basis. |
| (c) Sri Lanka Accounting Standards No. 16 | | | |
| (i) | Due to the calculation of depreciation for the entire year for assets purchased in the year under review amounting to Rs. 68,633,726, contrary to the standard, the profit had been understated by Rs. 2,478,109 and the accumulated depreciation had been increased by that amount. | It has been noted to make adjustments to the accounts to correct the overstated depreciation amounts and to adjust and correct the carrying value of property, plant and equipment in preparing the financial statements for the year 2025. | Actions should be taken in accordance with Sri Lanka Accounting Standards. |
| (ii) | Contrary to paragraphs 7 and 55 of the said standard, although spare parts purchased in the year 2024 at a cost of Rs.4,299,900 were installed in the machine on 03 July 2025, they were | Agreed. Adjustments had been made to the value of Rs.4,299,900 capitalized as assets in the year under review and the value of Rs.429,990 | Actions should be taken in accordance with Sri Lanka Accounting Standards. |

capitalized in the year 2024 and depreciation of Rs.429,999 was charged. As a result, the profit for the year was understated by that amount, and the carrying value of property, plant, and equipment was overstated by Rs.3,869,910. Similarly, although machinery worth Rs.6,689,000, which had been in use since year 2021, had been capitalized during the year under review, the retained profit had been overstated and the accumulated depreciation had been understated by the same amount due to the depreciation of Rs.1,736,183 not being accounted for in the previous year.

adjusted as depreciation through Journal No. 26 of the year 2025. The GRN issued by the harbours for the purchase of fuel pumps worth Rs.6,689,000 is also dated as December 2021. Since the Mechanical Division had indicated to the Finance Division that the work had been completed in 2024, depreciation adjustments had been made in relation to this asset in year 2024. Action will be taken to re-examine the date on which this asset had been installed at the harbours and put into use, and steps will be taken to calculate and adjust the depreciation correctly.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Due to the fact that an amount of Rs.129,102,045 paid as fuel advance in the year 2024 had been identified as a purchase, the cost of sales had increased and the gross profit had decreased by that amount.	Agreed. Measures will be taken to re-examine the fuel stocks in transit that had not been identified as final stocks and the fuel stocks that had not been taken as purchases, and adjust them to the stocks at the relevant harbours and correct them ,when preparing the financial statements for the year 2025.	Steps should be taken to accurately account for the money paid as fuel advances.
(b) Profit had increased due to the fact that fuel stocks worth Rs.14,220,432 purchased on credit in the year under review had not been accounted for as purchases, and creditors had also decreased by the same amount.	Agreed. Steps will be taken to re-examine the fuel stocks in transit that had not been identified as final stocks and the fuel stocks that had not been taken as purchases when preparing the financial statements for the year 2025	Steps should be taken to accurately account for fuel stock purchases on credit.

and adjust them to the stocks at the relevant harbours and correct them.

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| <p>(c) Even though the amount of Rs. 58,580,899 paid as fuel advance in the previous year had been accounted for as purchases in that year, the profit and accumulated loss for the year under review had increased by that amount due to the fact that the error had not been corrected.</p> | <p>Steps should be taken to correctly account for the fuel advances related to the previous year.</p> |
| <p>(d) The fuel amounting to Rs. 38,125,799 purchased on credit in the previous year had not been debited from the purchase account of that year and credited to the creditor account, and had been added to the closing stock of that year. Due to debiting the purchase account when paying for it in the previous year, purchases in the previous year had increased and profit had decreased by that value.</p> | <p>Agreed. Steps will be taken to adjust and correct fuel stocks when preparing the financial statements for the year 2025.</p> <p>Steps should be taken to accurately account for fuel purchases on credit related to the previous year.</p> |
| <p>(e) Even though the Corporation's policy regarding the provision for doubtful debtors was Rs. 2,461,611 which has 5 percent of the selected debtors, the accuracy of the basis on which borrowers are selected was not confirmed as it was not disclosed to the audit. Also, the value of fuel obtained from the relevant harbours for the Corporation's vehicles and other machinery amounted to Rs. 80,364,155 had been accounted for as fuel debtors and Rs. 4,018,207 had been deducted from the profit as a 5 percent of provision for doubtful debtors.</p> | <p>Steps will be taken to disclose the basis on which debtors are selected when preparing the financial statements for the year 2025. Steps have been taken to accurately account for the value to be paid for fuel obtained from harbours for corporate vehicles and other machinery, and the value accounted for as impairment losses has been reviewed and adjusted for with the accounts.</p> <p>The basis for selecting a doubtful debtors should be disclosed in the financial statements, and the expenses incurred for fuel obtained from the relevant harbours for the Corporation's vehicles and other machinery should be recognized as expenses in the relevant year.</p> |
| <p>(f) Fuel for the vehicles of the Head Office amounted to Rs. 29,965,029 had been obtained from fuel stations at the harbours during the year under review, and Rs. 27,174,549 out of this had been paid by the Head Office to</p> | <p>Steps will be taken to account for and correct the value of Rs. 2,790,480, which had not been identified as fuel expenses for the year 2024, as</p> <p>The total fuel expenditure incurred during the year under review should be identified as expenses in the financial</p> |

- the relevant harbours. The profit for the year under review had been overstated by Rs. 2,790,480 since only this amount paid had been identified as an expense for the year.
- previous year adjustments. statements.
- (g) Although the balance according to the cash book should be stated as the bank balance in the statement of financial position, amount related to fuel at the Kudawella Fishery Harbour had been understated by Rs. 8,605,608 in the cash account ,and the amount related to other income had been overstated by Rs. 5,647,889 in the cash account ,and the amount related to fuel at the Ambalangoda Fishery Harbour had been overstated by Rs. 2,908,200 in the cash account and the amount related to fuel at the Suduwella Fishery Harbour had been understated by Rs. 904,901 in the cash account.
- The original documents had been misplaced due to an irregularity in balances of the bank accounts related to fuel and various incomes at the Kudawella Fishery Harbour, and bank reconciliation reports had been prepared based on existing primary documents. It has not been possible to correct these balances due to the lack of original documents and books. There have been changes in the bank balances of the Ambalangoda and Suduwella Fishery harbours due to accounting errors, and steps will be taken to correct it.
- The correct balance as per the adjusted cash book should be presented in the statement of financial position.
- (h) Although the money received by the harbour should be deposited in the bank daily, the cash balances of Rs.1,009,424 and Rs.440,257 held by the Beruwala and Panadura Fishery harbours have been carried forward in the financial statements for many years, and no steps had been taken to correct those balances.
- Steps will be taken to check and correct the cash balances in hand at the Panadura and Beruwala Fishery harbours.
- The funds received by the harbour should be banked daily and steps should be taken to promptly bank the relevant balances.
- (i) The reserve value was Rs. 7,663,412,677 according to the financial statements, and a difference of Rs. 31,772,068 was observed between the balances since it was Rs. 7,695,184,745 as per the schedule submitted in Note No. 05.
- It is informed that steps will be taken to correct this in due course.
- Disclosures regarding reserves should be made accurately in the notes.

- (j) In terms of Section 4 of the Value Added Tax (Amendment) Act No. 32 of 2023, value added tax adjustments were not made on fuel sales amounting to Rs. 20,462,821,449 and fuel purchases amounting to Rs. 19,960,399,111 during the year under review. As a result, the total values were recorded in the accounts, leading to an overstatement of fuel revenue and fuel expenses.
- Steps have been taken to correct the previous year's adjustments for the year 2025.
- Value Added Tax on purchases and sales should be accounted for correctly.

1.5.3 Unreconciled Control Accounts or Records

	Item	Value as per Financial Statements Rs.	Value as per corresponding Reports Rs.	Difference Rs.	Management Comment	Recommendation
(a)	Fuel stocks - Kudawella Fishery Harbour	6,778,563	1,554,802	5,223,761	Noted to find and correct the difference in fuel stocks at the Kudawella and Dodanduwa fishery harbours.	Any discrepancies between the relevant schedules and the relevant ledger accounts should be identified and necessary adjustments should be made.
(b)	Fuel stocks - Dodanduwa Fishery Harbour	1,462,701	32,610	1,430,091		

1.5.4 Documentary Evidences not made available for Audit

	Audit Observation	Management Comment	Recommendation
(a)	Evidence relating to grants received from various institutions totalling Rs. 1,873,926,285 as stated in the financial statements as at 31 December 2024 had not been submitted for audit. Similarly, the schedules, individual debtor balances, age analysis and source documents related to the debtor balances totalling Rs. 206,728,293, and the source documents and schedules required to	Many of the balances reported in the audit report as insufficient evidence to support the balances have been in the opening balances of the accounts for a long time, and Committees have been appointed on several occasions to investigate this matter, those committees were also unable to find sufficient evidence. Steps will be taken to provide the schedules and age analysis for the	Written evidence required to verify the relevant balances should be submitted to the audit.

verify the creditor balances totalling Rs. 160,288,685 and the balance of the Diviseriya account totalling Rs. 8,610,910 had not been submitted for audit.

lands, buildings, security debtors and Dikowita old loan balances mentioned herein to the Government Audit Division.

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| (b) | A value of Rs. 29,092,874 had been deducted from the accumulated loss and shown as a change in reserves in the statement of changes in equity for the year under review, and the accuracy of that value could not be verified during the audit since evidence of the factors that led to the reduction in value had not been presented to the audit. | It is informed that steps will be taken to correct this in due course. | The change in reserves should be accurately identified in the statement of changes in equity. |
| (c) | Although the change in reserves during the year had been understated by Rs. 24,494,262 in the statement of changes in equity, its accuracy could not be confirmed since the relevant evidence had not been submitted for audit. | It is informed that steps will be taken to correct this in due course. | Relevant evidence for the value identified as a change in reserves should be submitted to the audit. |

1.6 Accounts Receivable and Payable

1.6.1 Receivables

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| (a) | No action had been taken to recover an amount of Rs.1,379,685 due for the supply of diesel on credit to fishing vessels and vehicles belonging to a member of the Eastern Provincial Council by the Kodbe Fishery Harbour for the months of January, February, March and June 2009. | The Harbour Operations Division has been directed to take necessary action to recover this loan. | Action should be taken to recover the loan amount promptly. |
| (b) | The balance receivable in respect of renting out harbour properties to external parties was Rs. 187,555,960, and an amount of Rs. 156,998,780, relating to ten harbours, out of that balance were balances older than 5 years. No adequate measures had been taken by the Corporation to recover the relevant balances as of 21 August 2025. | Lawsuits have been filed against the relevant parties to recover receivable rent income for more than 5 years, and the lawsuits are still pending. | Action should be taken to recover the relevant balances promptly. |

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| (c) | Steps have not been taken by the Corporation to recover the security fees receivable amounting to Rs. 3,952,983 from the National Aquatic Resources Research and Development Agency, which had been in existence since 2013. | Since the National Aquatic Resources Research and Development Agency is an institution under the line ministry, steps have been taken to provide security services to those institutions without entering into a contract. The recovery of receivables amounting to Rs. 3,952,983 has become problematic due to the absence of a formal agreement. | Appropriate steps should be taken for recovery. |
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1.6.2 Payables

	Audit Observation	Management Comment	Recommendation
(a)	Steps have not been taken by the Corporation to settle or write off the long-standing balances of Rs. 36,071,363 included in the creditors' balance as of 31 December 2024.	The balances of Rs. 36,071,363 in the creditors' value are long-standing and ongoing balances, and steps will be taken to resolve this issue when preparing the financial statements for the year 2025.	Appropriate steps should be taken to resolve the issue immediately.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Value Added Tax Act No. 14 of 2002 and Value Added Tax (Amendment) Act No. 07 of 2014			
(i)	Section 26	Even though the tax in respect of a taxable period is payable on a day not later than the 20th day of the month following the end of that taxable period, the unpaid value added tax liability for the year 2024 and previous years as at 30 April 2025 was Rs. 26,325,272.	This amount was settled in January 2025.	Payments should be made on due dates in accordance with the Value Added Tax Act.

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| (ii) | Sections 22 (2) and 22 (6) (III) | According to the Statement of Financial Position for the year under review, the value added tax receivables, which had been outstanding for more than 10 years, was Rs. 14,175,147 and no steps had been taken to settle them. | These balances have been in existence for a long time and, steps will be taken to re-examine the original books in this regard and to correct them in 2025. | Action should be taken to investigate and recover the value added tax receivable. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | | | |
| (i) | F.R. 135 | Payments had been made without certifying the payment vouchers for a value of Rs. 57,137,850 in respect of 4 payment vouchers from a sample of fuel payment vouchers obtained from the Dikowita Fishery Harbour. | The authority to sign cheques has been delegated to the harbour Manager and another officer, subject to the approval of the Board of Directors, and payments from harbours are made only to the Petroleum Corporation. Similarly, there is no other officer at the harbour to certify the payments. | Payments should not be made without certifying the vouchers in accordance with financial regulations. |
| (ii) | F.R.. 262 (2) | The "paid" stamp had not been used on any payment voucher issued by the Dikowita Fishery Harbour to the Ceylon Petroleum Corporation. | Written instructions have been given to the harbour Manager to prepare payment vouchers properly when purchasing fuel, and the process is | Financial regulations should be followed. |

			currently being carried out correctly.	
(iii)	F.R. 502(2)	In accordance with Financial regulations, fixed assets register was not maintained by the Corporation.	Necessary steps have been taken to make the necessary arrangements.	A fixed asset register should be maintained in accordance with financial regulations.
(iv)	Finance Regulations 756 (6) as amended by Section 19 of Public Finance Circular No. 01/2020 dated 28 August 2020.	The annual board of survey reports have not been submitted to the Auditor General and the completion of the annual board of survey reports have not been reported to the Director of State Finance before 30 June.	Steps will be taken to submit those reports properly in due course.	The board of surveys should be carried out as per the circular.
(c)	Section 7.8 of Chapter VII of Part One of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	Even though the combined salary, cost of living allowance and other allowances, if any, entitled by him for his regular post should also be included when calculating the recoveries of an officer's unpaid leave (No pay), The recoveries had been calculated by the Corporation for unpaid leave (No pay) based only on the basic salary of the officers.	It is informed that when calculating the recoveries for unpaid leave, calculations are currently being made in accordance with the Section 7.8 of Chapter VII of Part One of the Establishments Code.	Steps should be taken to calculate the recoveries for unpaid leave in accordance with the Establishments Code.
(d)	Public Enterprise Circular No. PED 1/2015, PED1/2015(i) dated 26 October 2016 and PED1/2015(ii) dated 14 January 2022.	Proper approval should be obtained from the Board of Directors or the Secretary of the Ministry in special cases where the monthly fuel allowance is not sufficient and 4,070 liters of fuel worth Rs. 1,410,485 had been issued to 5 officers by the Corporation without obtaining such approval.	Steps have been taken to prepare a board of directors' paper to obtain approval for unapproved fuel allowances and to forward it to the board of directors meeting scheduled to be held in October.	Appropriate approval should be obtained regarding additional fuel as per the circular.

- (e) Government Procurement Guidelines 2006
- (i) Paragraph 4.2.1 Although a master procurement plan should be prepared that includes expected procurement activities for a period of at least 03 years, a major procurement plan for a period of 03 years had not been prepared by the Corporation. An expected procurement plan for a period of 03 years had not been prepared. Steps should be taken to prepare a master procurement plan for a period of 03 years.
- (ii) Paragraph 4.2.2 A procurement time schedule for the year 2024 that chronologically describes the steps of each procurement action had not been prepared by the Corporation, and information regarding the procurements made had not been submitted for audit. A procurement time schedule detailing the steps of each procurement action has not been prepared for the year 2024 and action will be taken to prepare for the year 2025. Steps should be taken to prepare a procurement time schedule.
- (f) Paragraph 3 of Annexure 1, Section 2.3 of the Guidelines for State Enterprises of the State Enterprise Circular No. 01/2021 dated 16 November 2021 The annual budget prepared by the Corporation for the year under review did not include the budgeted income statement, budgeted statement of financial position and budgeted cash flow statement ,and the budgeted statement had been submitted only for recurrent and capital expenditures. Steps will be taken to prepare the budgeted income statement, budgeted statement of financial position, and budgeted cash flow statement of the annual budget for the year under review and submit them to the Government Audit Division. The budgeted income statement, the budgeted statement of financial position, and the budgeted cash flow statement should be included in the annual budget in terms of the Public Enterprises Circular.

1.8 Finance Management

Audit Observation	Management Comment	Recommendation
Even though an amount of Rs. 31,610 deposited into the fuel account in February 2023 stated in the December 2024 bank reconciliation statement ,prepared	Arrangements have been made to settle the matter on 18.09.2025.	Steps should be taken to investigate and settle deposits that had been reported as having been deposited but not received.

for the bank current account related to the other income account of the Suduwella Fishery Harbour ,and an amount of Rs. 47,374 deposited into the fuel account, and other income amounting to Rs. 248,102, which had not been banked, in December 2023 had been stated as deposited but not realized and no steps had been taken to investigate and correct those balances.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs. 100,708,340 and the conversely profit in the preceding year amounted to Rs. 640,377,110. Therefore a deterioration amounting to Rs. 741,085,450 of the financial result was observed. The reasons for the deterioration are the decrease in treasury grants and operating results by Rs. 314,447,520 and Rs. 323,929,418 respectively, and increase in staff expenses and administrative expenses by Rs. 79,196,133 and Rs. 53,674,773 respectively.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	Even though a fuel leak of approximately 2,700 litters occurred when installing underground fuel pipes at the northern terminal of the Dikowita Fishery Harbour by a private company on 29 November 2019, no steps had been taken to recover the fuel spill from the relevant institution despite that five years have passed as at 22 May 2025.	Attention will be paid to the matters mentioned in the audit report conducted by the Internal Audit Division In this regard, and further steps will be taken to recover the loss.	It is necessary to check whether the payment has been made to the relevant institution, examine the agreements and take the necessary legal action.
(b)	Although the balance of Rs. 29,156,788 under work in progress, which was Rs. 143,041,969 in the Statement of Financial Position, has been carried forward for many years, no necessary action had been taken regarding that balance.	The balances shown under work in progress with a value of Rs. 29,156,788.00 are long-standing balances and steps will be taken to obtain information regarding this matter from the Civil Division and to resolve it.	Provisions for impairment losses in relation to work in progress should be recognized in the financial statements.

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| (c) | Advance payment made as at 31 December 2024 is amounting to Rs. 40,747,319 and out of that balance, the balance from 2004 to 2016 was Rs. 21,130,672. Steps had not been taken by the corporation to investigate and settle the balances related to the payments made in advance. | All previous payments made in relation to the year 2024 had been settled, and information regarding the outstanding balances from 2004 to 2016 had been inquired from the Procurement Division. | Action should be taken to investigate and settle the balances related to payments made in due course. |
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3.2 Operational Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	The losses at the Beruwala work shop had continued to increase from year 2019 to 2022, and the status of the loss was Rs. 25,229,770 in year 2023 and Rs. 25,153,706 in year 2024.	Repairs of machineries belong to the corporation are carried out by the Beruwala Factory, and other external tasks are not performed there. Therefore, no special income is generated and the Beruwala factory continues to suffer losses due to the wages and maintenance costs of the factory's employees.	Efforts should be made to control the loss situation by taking steps regarding revenue generation and expenditure control.
(b)	The northern terminal of the Dikowita Fishery Harbour has 07 fuel pumps and only 03 pumps were operational as at 22 May 2025. The mother board of one of the 4 non-functioning pumps had been removed and taken away for repair by the relevant supplier on 01 August 2022 and follow ups on this matter had not been carried out by the Corporation even by 22 May 2025. Another pump had not been operational since 14 August 2018. The pump, which had been installed on 5 April 2017 has not been functional since the day it was installed and the remaining pump had not been in operational condition since 23 December 2021.	The mechanical department had been instructed to carry out the necessary work to repair this pump. Since the fuel dispensing rate at all pumps purchased from a private company is very low, Fishermen's protests had arisen and As a result, using those pumps had become problematic. Only an advance payment had been made for these pumps and no other payments had been made.	Immediate action should be taken to get return the motherboard that had been removed for repair from the supplier.

3.3 Human Resources Management

Audit Observation	Management Comment	Recommendation
A cadre of 1015 officers had been approved by the Department of Management Services on 17th January 2013, and the actual cadre of the Corporation was 1308 officers as at 31 July 2025. This included 433 officers who were not approved by the Department of Management Services.	The cadre had been revised and forwarded to the Ministry Secretary for approval.	Approval for additional posts should be obtained from the Department of Management Services.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Management Comment	Recommendation
Even though the financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the accounting year in terms of the paragraph 6.6 of the Public Enterprises Circular No. 01/2021 dated 16 November 2021, financial statements for the year 2024 had been submitted by the Corporation with a delay of 115 days, on 23 June 2025.	Steps will be taken to submit the financial statements and reports for the year 2025 on the due dates.	Financial statements should be submitted on time.

4.2 Environmental Issues

Audit Observation	Management Comment	Recommendation
Although the disposal of garbage and waste at the northern terminal of the Dikowita Fishery Harbour had been carried out by private parties on a rental basis, an environmental permit, issued by the Central Environmental Authority, had not been obtained by that party and accordingly, it was not clear to the audit whether a formal process had been followed regarding waste disposal.	In order to properly dispose of the waste that continuously accumulates at the Dikowita Fishery Harbour, discussions were held with the Wattala Pradeshiya Sabha. Accordingly, the Pradeshiya Sabha has made arrangements to bury only biodegradable waste by digging pits within the harbour premises. It has been informed that non-biodegradable waste such as polythene will be collected and removed by the Pradeshiya Sabha itself. Consequently, it has been stated that payments previously made to the private sector for waste removal have now been discontinued.	An environmental permit issued by the Environmental Authority should be obtained, and a proper procedure should be followed accordingly in relation to waste disposal.