

## Transactions Report of the Ceylon Fisheries Corporation - 2024

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The audit of the operational activities of the Ceylon Fisheries Corporation for the year ended 31 December 2024 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 and the provisions of the National Audit Act, No. 19 of 2018. My observations on the functioning of the Corporation, which I consider should be reported to Parliament in terms of Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, appear in this report.

### 1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements

In terms of Section 16(1) of the National Audit Act, No. 19 of 2018, every auditee entity shall maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared in respect of such entity.

In terms of Section 16(2) of the said Act, annual financial statements in respect of every auditee entity shall be submitted by the Chief Accounting Officer to the Auditor-General along with the annual performance reports of those entities within such period as may be provided by rules.

In terms of Section 38(1) (d) of the said Act, the Chief Accounting Officer of an auditee entity shall ensure that it is required to prepare annual reports and other financial statements within the required periods and the Chief Accounting Officer shall be responsible to submit the annual reports to Parliament pertaining to the auditee entity.

## 2. Financial Statements

### 2.1 Presentation of Financial Statements

Audit Observation	Comments of the Management	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 accordance with paragraph 6.6 of the Operational Manual relating to Public Enterprises Circular No. 01/2021 dated 16 November 2021, the financial statements for the years 2022, 2023 and 2024 had not been submitted to the Auditor General even by 15 December 2025.	It is agreed that the fact mentioned in the audit query. The financial statements for the year 2021 have already been submitted to the audit, and the preparation of the draft financial statements for the years 2022 to 2024 has been carried out.	Financial statements and draft annual reports should be prepared and submitted to the Auditor General within the prescribed period as per the Circular.

## 2.2 Existence of Assets and Liabilities

The details of assets, liabilities, income and expenditure indicated in the financial statements for the years 2019 and 2020 prepared and submitted by the Corporation for the last time, are as follows.

	2019 Rs.	2020 Rs.
Non-current assets	1,513,191,452	1,470,060,885
Current assets	<u>403,239,918</u>	<u>566,085,703</u>
Total assets	<u>1,916,431,370</u>	<u>2,036,146,588</u>
Equity	203,149,703	34,701,398
Non-current liabilities	718,549,156	893,451,537
Current liabilities	<u>994,732,511</u>	<u>1,107,993,652</u>
Total equity and liabilities	<u>1,916,431,370</u>	<u>2,036,146,588</u>
Income	3,041,791,819	3,000,237,089
Expenditure	<u>(3,205,271,444)</u>	<u>(3,140,992,219)</u>
Profit after tax (loss)	<u>(163,479,625)</u>	<u>(140,755,130)</u>

## 2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations etc.	Non-Compliance	Comments of the Management	Recommendation
(a) Section 15 of the Employees' Provident Fund Act, No. 15 of 1958	Even though the employer of an employee to whom this Act applies shall deduct and pay to the Fund the contribution for each month of such employee under this Act before the last day of succeeding month from the earnings of such employee due to the not paying the Employees' Provident Fund on the due date By the Corporation, A sum of Rs.700, 641,706 remained to be paid as Employees' Provident Fund and the said surcharge as at 31 August 2025. Further, the Corporation had paid Rs.23,671,197 as Employees' Provident Fund surcharge expenses in the year 2024.	Due to the financial difficulties existing in the institution, it was not possible to pay these funds on time as indicated in the audit and the Secretary has already requested additional provisions from the Treasury to settle the provident funds, unpaid gratuities and arrears of taxes.	Contributions should be paid on time as per the Employees' Provident Fund Act.

- (b) Subsection (5) (1) of Part ii of the Payment of Gratuity Act, No. 12 of 1983. .
- Even though the gratuity to which an employee is entitled should be paid within 30 days of the termination of employment, the Corporation has not paid accordingly, resulting in the balance of gratuity payments payable as at 31 August 2025 being Rs. 20,674,616 and its surcharge being Rs. 6,354,424. The Department of Labour had also filed a case under 84364/5/23 in the Colombo Magistrate's Court in this regard.
- These payments are expected to be made as soon as additional provisions are received from the General Treasury.
- Action should be taken to pay gratuity payable in accordance with the Payment of Gratuity Act.
- (c) Section 26 of the Value Added Tax Act, No. 14 of 2002 (as amended)
- Even though the tax in respect of a taxable period is payable before the 20th day of the month following the end of that taxable period, the tax liability for unpaid VAT as at 31 May 2025 was Rs. 19,696,372.
- Due to the financial difficulties existing in the institution, it was not possible to remit the tax liability on time and requests have been made for allocations from the General Treasury. It is expected that these payments will be made as soon as these additional allocations are received.
- In accordance with the Value Added Tax Act, the Value Added Taxes should be remitted to the Inland Revenue Department.
- (d) Section 4 of the Nation Building Tax Act, No. 9 of 2009
- Even though the Nation Building Tax should be remitted to the Commissioner General of Inland Revenue on or before the 20th day of the month immediately succeeding the end of the relevant quarter, the unpaid tax liability as at 31 May 2025 was Rs. 85,169,312.
- Due to the financial difficulties existing in the institution, it was not possible to remit the tax liability on time and requests have been made for allocations from the General Treasury. It is expected that these payments will be made as soon as these additional allocations are received.
- In accordance with the Nation Building Tax Act, the Nation Building Taxes should be remitted to the Inland Revenue Department.

- (e) Section 18 (4) of the National Audit Act, No. 19 of 2018
- Even though an auditee entity should settle the accounts for audit fees within 30 days from the date of invoice, the audit fees payable by the Corporation from 2013 to 2024 were Rs. 7,344,660.
- Due to the financial difficulties existing in the institution, it was not possible to pay the audit fees on time, and the management has decided to pay these outstanding audit fees in the future as soon as the financial position is favorable.
- Audit fees should be paid on the due date in accordance with the National Audit Act.
- (f) Procurement Guidelines 2006
- (i) Paragraph 4.2.1
- Even though a master procurement plan should be prepared including the expected procurement activities for a period of at least 03 years, the Corporation had not prepared such a plan for the period including the year 2024.
- Management has decided to pay attention as indicated in the audit, and take action accordingly.
- A master procurement plan should be prepared in accordance with the Procurement Guidelines.
- (ii) Paragraph 4.2.2
- The Corporation had not prepared a procurement time schedule that describes the steps of each individual procurement action in a chronological manner for the year 2024.
- Management has decided to pay attention as indicated in the audit, and take action accordingly.
- A Procurement Time Schedule should be prepared in terms of the Procurement Guidelines.
- (g) Assets Management Circular No. 01/2017 dated 28 June 2017.
- Documentation of non-financial assets for the year 2024 had not been reported to the Comptroller General for the year 2024.
- Necessary action will be taken to submit the relevant reports to the Comptroller General in the future.
- Assets should be documented and reported in accordance with the Assets Management Circular.
- (h) Paragraph 6.6 of the Operational Manual referred to in the Public Enterprises Circular No. 01/2021 dated 16 November 2021
- Even though the Annual report of the Corporation should be tabled in Parliament within 05 months of the end of the financial year, the Annual reports relating to the years from the year 2019 to the year 2024 had not been tabled in Parliament even by 25 June 2025.
- The Annual report for the year 2019 has been submitted to the Ministry for Cabinet approval, and the Annual report for 2020 is being prepared.
- Annual reports should be tabled in Parliament as per the Operational Manual of the Public Enterprises Circular.

**3 Operational Review**  
**3.1 Management Inefficiencies**

Audit Observation	Comments of the Management	Recommendation
(a) The Corporation had not taken action on the following recommendations made to the Corporation at the Committee on Public Enterprises held on 25 November 2022.		
(i) The Committee had recommended to the Accounting Officer to prepare a suitable methodology for the recovery of loan balances, and follow up on the recovery of loans and report its progress within 3 weeks.	Police complaints and legal action have been taken to recover the bad debts. Accordingly, the old debt balances are currently being recovered. Under the leadership of the Ministry of Fisheries, arrangements are already being made to provide our institution with an Enterprise Resource Planning (ERP) system, and pilot programs are currently underway.	A methodology should be developed for the recovery of the outstanding debt balances and action should be taken to recover the debt expeditiously.
(ii) It was recommended to the Accounting Officer to prepare a practical and implementable methodology for the payment of the outstanding contributions to the Employees' Trust Fund and Employees' Provident Fund on a monthly or annual basis and to submit it to the Committee within 2 weeks.	The Employees' Provident Fund for the months of June, July and August 2025 has been paid and it is expected that these outstanding balances will be paid as soon as the requested funds are received from the General Treasury. The amount of Rs. 3,078,575 (Employees' Trust Fund contributions and surcharge) to be paid as at 31 May 2025 has already been paid.	A practical and implementable methodology should be prepared for the payment of outstanding contributions, and action should be taken to pay the outstanding contributions of Rs. 700,641,706 as at 31 August 2025 to the Employees' Provident Fund.

- (b) The fish is purchased by each region of corporation is issued to the fish stalls each region for sale and the money received from sale of fish should be remitted to the relevant religion by said fish stalls. However, an amount of Rs.36,208,268 is receivable to the corporation as at 31 December 2024 in relation to 17 regions owing to non-remittance of said money by relevant owners of stalls.
- It is informed that that hospital debtor balance is continuously recovered from the debtor balances such as internal, external and hospital as at 31.12.2024.
- It should be prevented the use of money received from sale of fish for their personal matters by the owners of fish stalls and the disciplinary action should be taken against the owners of stalls who has such outstanding money and the step should be taken to immediately establish a formal method to remit such money.
- (c) An unrecovered balance of Rs.2,494,656 as at 31 December 2024 from 25 hospitals for providing of linna and thora fish without agreement instead of tuna fish ordered by the hospitals is a loan balance which is old more than five years.
- A committee had been appointed under the patronage of Deputy General Manager (Finance) by corporation for recovery the debtors balance which had become inactive and existed since the commencement of the hospital supply.
- The step should be taken to immediately recover old balances.
- (d) A non-performing loan balance of Rs.137,859,301 had been included in the receivables of corporation as at 31 December 2024 and the balance exceeding more than 05 years was Rs.91,824,450 and the balance exceeding more than 10 years was Rs.34,154,417 out of that. Accordingly, the effective measures had not been taken by corporation to recover these balances which had existed for many years.
- The necessary legal action is being taken through the Legal Division for the employees who had vacated the post. It had been already commenced to send the letter of demand through Legal Division for recovery external debtor balances.
- The appropriate measures should be taken to promptly recover the non-performing loan balance of Rs.137,859,301 as at 31 December 2024.
- (e) There was a payable balance of Rs.607,536,937.23 to the external parties for fish purchases as at 31 December 2024 and the balance more than two years was Rs.162,015,002 within it. Accordingly, the corporation had not paid attention to settle this creditor balance.
- It is mentioned that the action will be taken to pay the money for the balances elapsed more than 02 years subsequent to favourable the financial position of the corporation.
- The steps should be immediately taken to settle the balances.

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| (f) | Bank of Ceylon loan balance was Rs.158, 623,208, payable loan interest was Rs.98, 005,988 and the bank overdraft balance was Rs.82, 279,516 as at 31 March 2025. The treasury was the guarantor for the bank loan and 44 lorries with refrigerators and 02 lands located in Ethulkotte and Kurunegala Gattuwana had kept as surety for two overdraft facilities. But these bank loan and overdraft balance had been outstanding due to non-payment as specified. | Owing to the financial difficulty prevailed in the institute, this bank loan couldn't be paid and the measures are being taken to discuss with the management of Bank of Ceylon in this regard. Presently, a request letter pertaining to this matter had been forwarded to Fisheries Deputy Minister. | The action should be taken to promptly settle the bank loan balances.                                   |
| (g) | The step had not been taken to determine the responsible parties as per F.R.103( c) even up to 31 May 2025 in relation to misplacement of the spare parts of compressor in Galle ice factory in 2015 and a complaint had been ;lodged in police on 15 March 2022 after seven years.  | A case had been filed by police under case No. 01150 in Galle Magistrate's Court.  | The inquiry should be conducted as per F.R.103(c) and determined the responsible parties for this loss. |
| (h) | Even though it had been decided to recover the outstanding employee loans within 03 months and suspend the service of the employees who had not paid the loans in accordance with the Board of Directors decision No.847 held on 16 September 2002, it had not been implemented and the receivable employee loan balance was Rs. 60,537,636 as at 31 December 2024.  | The service of certain employees had been already terminated and taken legal measures for the recovery of employee debtor balances.  | The speedy steps should be taken to recover the loan balances from the employees of corporation.        |

### 3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Only 06 cold rooms out of 10 belonging to corporation as at 30 May 2025 are in operational level presently. Furthermore, only 07 cold containers with 05 metric tons belonging to head office out of 14	The cold rooms are very old. It is very difficult to renovate such cold rooms and the container box had also dilapidated. Furthermore, it is difficult to reduce the temperature of these	The cold rooms which are not in operational level should be maintained in a proper

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| <p>belonging to corporation were in operational level by 30 May 2025. An amount of Rs.29, 841,599 had been incurred by corporation from 2020 up to 31 May 2025 for hiring cold containers and cold rooms from the private suppliers due to non-maintenance of the cold rooms which are not in operational level.</p>  | <p>cold rooms to -20 Celsius (-20° C). Generally, the cod rooms renovated by us are between -7 and -8 Celsius. Therefore, it had to hire the cold rooms from outside for storage the fish in the specified standard. A provision of Rs.86 million had been allocated by Ministry of Fisheries for the establishment of a -20 Celsius cold room with 200 metric tons and a -20 Celsius deep freezer with 2.5 metric tons within the corporation.</p> | <p>methodology and utilized.</p>  |
| <p>(b) A sum of Rs.36, 869,598 out of Rs.65, 000,000 received as the Government grants in 2017 for the construction of a fish processing unit had been incurred for the expenses of the institute. Though remaining Rs.28, 130,402 had been incurred for the construction of fish processing unit in the premises of head office, later, it had been neglected and since it is under destruction, such expense had become an idle expense.</p>  | <p>It is agreed with the matters mentioned in the audit and the action will be taken in the future as per the required instructions after referring these matters to the management.</p>  | <p>A review should be performed again in relation to the assets and the appropriate steps should be taken for that after directing to Board of Directors.</p> |
| <p>(c) It had been invested in 1,100,000 shares of a private company by a deed of transfer with a value of Rs.110, 000,000 for a land in extent of 01 ½ acres located in the premises of head office as the contribution of corporation for the joint venture created with Russian company in 2003 with an objective of commencement of a canned fish factory. Up to now, the canned fish factory had not been started and a case had been filed in Colombo District Court for legally taking over the land transferred to the company by corporation to corporation again.</p> | <p>The case bearing No. DLM 15/2018 filed in Colombo District Court had been called for the verification the facts on 29.10.2025. It is due to be called again for verification the facts by submitting a motion on 17.12.2025.</p>   | <p>The future action should be taken as per the court order.</p>  |
| <p>(d) 46 fish stalls of Trincomalee fish market complex had been rented to</p>   | <p>The necessary actions are being taken to recover the outstanding</p>   | <p>The action should be taken to recover</p>  |

the external parties and the rent recoverable from the external parties was Rs.6, 333,695 by 30 April 2025 and the penalty interest recoverable for above outstanding rent was Rs.46, 619,571 by 30 September 2024. Similarly, since the land in which fish market complex had been constructed belongs to Trincomalee Urban Council, 30 percent from the net income should be paid to Trincomalee Urban council. From 2014 to 2023, a sum of Rs.2, 001,900 had to be paid to Urban Council.

rent and penalty interest of Trincomalee fish market complex by Legal Division and an amount of Rs.200,000 out of payable amount to Trincomalee Urban Council had been already paid. Accordingly, a sum of Rs.1, 801,900.00 had to be further paid to Urban Council.

the due rent and pay the outstanding rent.

- (e) Due to commencement of the fish stalls without carrying out a market survey on fish sales in relevant area prior to opening the stalls, only 75 percent had to be closed compared with the stalls commenced from 2020 to 2024.

Since the fish in low quality had been sold in low prices after opening private stalls close to those in maintenance of the fish stalls commenced, the low sales of the stalls of corporation as well as issuance of orders for closure the stalls by the local authorities in relevant area had become the main issue. A report including new standard process had been prepared and submitted for the approval of Board of Directors. It is due to be adhered to said process in the commencement of the stalls in the future after granting the approval of Board of Directors for that.

The measures should be taken to newly start the fish stalls after performing a market survey.

### 3.3 Idle and Under Utilized Assets

Audit Observation	Comments of the Management	Recommendation
(a) In accordance with the vehicles schedule prepared by 30 May 2025, there were 22 vehicles which are not in running condition, 17 vehicles for disposal and 16 vehicles on which the information couldn't be obtained.	A written request had been sent to the ministry for appointing a representative of the Ministry of Fisheries to the Bid Evaluation Committee. As soon as the representative of ministry will be appointed, it is expected to carry out this process.	The vehicles to be disposed should be immediately disposed and the appropriate action should be taken in relation to the vehicles which are

not in running condition. Further, the details with regard to the vehicles on which the information is not available should be provided to the audit.

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| <p>(b) The diesel filling station operating in head office is not function now and the purchase of diesel from Ceylon Petroleum Corporation for the last time was on 13 July 2023 and the issuing of fuel had been stopped on 08 September 2023 and the diesel filling station is dilapidating presently.</p> | <p>A request letter had been forwarded to Ceylon Petroleum Corporation to be carried out a quality check of this filling station for operating the diesel filling station again within head office and accordingly, an officer had come and examined the fuel tank and given a name of an external supplier in relation to obtaining a quality check report. In accordance with that, it is expected to take action in the future to immediately obtain quality check report from this supplier.</p> | <p>The diesel filling station should be promptly operated again.</p> |
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### 3.4 Human Resource Management

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>(a) There are vacancies in the post of General Manager which is a key post of the staff of corporation who perform the duties in relation to operating process and its performance and 25 vacancies in 15 posts in senior level in accordance with the approved cadre as at 30 June 2025 and no action had been taken by corporation to complete the vacancies of 13 posts out of that since 2019.</p>	<p>It had been submitted the review of the recruitment process in the public service and staff management in relation to 31 posts for the approval of the Prime Minister's Office and the approval had been received for 30 posts. The necessary action had been taken to make the relevant recruitments by publishing the paper advertisements for only 08 posts out of that. It is due to be carried out the recruitment activities for other posts.</p>	<p>The steps should be expeditiously taken to complete the vacancies in essential posts.</p>
<p>(b) There were 72 employee vacancies such as 36 vacancies in 16 posts in</p>	<p>Even though it had been mentioned that the approved</p>	<p>The measures should be taken to</p>

the tertiary level 25 excess employees of 06 posts in the secondary level and 72 vacancies of 12 posts of corporation except 63 employees of 07 posts personal to holder included in the approved cadre as at 30 June 2025. Moreover, there were 30 excess employees in 03 posts in the primary level and 51 vacancies of 12 posts.

cadre should be amended as 724, the approved cadre had been noted as 660 from time to time so far. Therefore, the approved cadre should be amended as 724. The actual cadre should be amended as 557 as above and it had been informed that the number of vacancies related to that should be amended as 167 and the number of excess vacancies is different as per the names of posts.

amend the cadre suitably to the current status and fill the vacancies and obtain the approvals in relation to the excess posts.