

Shipping Development Fund - 2016

The audit of Balance Sheet of the Shipping Development Fund for the year ended 31 December 2016 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. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements, making up the balance sheet.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in the paragraph 2.2 of this report, I have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Going Concern of the Fund.

Even though the Fund had been established and functioned under the Ministry of Ports and Shipping by utilizing the charges and commissions recovered from the shipping agents under the provisions of Sri Lanka Central Freight Bureau Act, No. 26 of 1973, action in terms of the Public Finance Circular No.PF/423 of 22 December 2006 had not been taken to function as a statutory Fund with a legal framework. According to the instructions given by the Department of Public Enterprises by its letter No.PE/COP/(4)31GEN dated 24 May 2011, a sum of Rs. 46.47 million out of the Fund had been released to the Ceylon Shipping Corporation Limited

in the year 2011 for the investment to establish a new passenger terminal and the balance financial assets of the Fund had been credited in 3 occasions in the years 2011 and 2012 to the Consolidated Fund after being realized. After that, no operations whatsoever had been carried out. Therefore the Fund had not going concern.

2.2.2. Lack of Evidence for Audit

No proof document whatsoever had been furnished to audit relating to the sums of Rs. 366,691,764 and Rs.946,095 given to the President's Office and the Ministry of Education respectively, and it was reported to audit that the sum of Rs. 55,000,000 which had been given to the Ceylon Shipping Corporation Limited had been taken on the reimbursement basis by the General Treasury, and it was not a responsibility of the Ceylon Shipping Corporation Limited. Accordingly, non-receipt of confirmation of balances in respect of the entire value of Rs, 422,637,859 shown as assets in the financial statements had not been shown as a liability in the financial statements of the relevant institutions. As such, it was observed in audit that there was an uncertainty in the recovery of money.

3. Financial Review

3.1 Financial Result

Since the operational activities of the Fund had been suspended since the year 2011, an income and expenditure statement or a statement of changes of the Accumulated Fund for the year under review, had not been prepared.

4. Operational Review

4.1 Performance

Due to restrained of recovery of charges and commission from the shipping agents by a court order in the year 2006 receiving of income had been stopped. According to the directive given by the Director General of Public Enterprises in the year 2011, all other financial assets of the Fund had been credited to the Consolidated Fund, except debtors. After that all the operational activities of the Fund had been suspended. According to the letter dated 05 November 2014, the Director General of Public Finance had informed to get the cabinet approval to write off the balances which had given as advances to the government institutions by the Fund. Action had not been taken to get such approval by the Ministry.