

Shipping Development Fund - 2012

1. Financial Statements

1.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 1.2.2 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.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

A sum of Rs.367 million sent to the Presidential Secretariat and a sum of Rs.93 million recoverable from 03 Government institutions had been shown under assets in the balance sheet. Out of the sum of Rs.55 million receivable from a Public Corporation, a sum of Rs.50 million existed over a period of 15 years while the balance sum of Rs.5 million existed over periods ranging from 05 to 10 years. The Fund had not taken any action whatsoever for the recovery of the money. Provision for bad debts also had not been made.

1.2.2 Lack of Evidence for Audit

The Register of Fixed Assets and the physical verification reports relating to the fixed assets valued at Rs.110,941 had not been furnished to audit. As such it was not possible to verify those assets satisfactorily in audit.

2. Financial Review

2:1 Financial Results

An Income and Expenditure Statement for the year under review had not been furnished. According to the statement of changes in the Accumulated Fund presented with the financial statements, a sum of Rs.13,523,734 returned by the passenger shipping service in the year under review had been remitted to the Treasury. As the only expenditure of the Fund for the year under review had been the depreciation on fixed assets amounting to Rs.19,615 the

deficit for the year amounted to Rs.19,615. As compared with the surplus of Rs.23,108,378 according to the Income and Expenditure Statement presented for the preceding year, a deterioration of Rs.23,127,993 in the financial results was observed.

3. Operating Review

3.1 Performance

An order restraining the recovery of commission had been made in the year 2006 in connection with a case against the Fund filed in Courts by the Shipping Agents against the recovery of Commission. As such, no income whatsoever could be earned from main income source during the past 06 years. As the Fund had several computers and photocopiers only as fixed assets commencing or implementing any activity had been a problem to the Fund. As such there was no performance at all.

3.2 Management Inefficiencies

The Fund had paid two sums of Rs.35,000,000 and Rs.25,000,000 totalling Rs.60,000,000 in June 2011 to a Government Shipping Company for the purchase of accessories required Shipping Operations Terminal. Out of that money, a sum of Rs.46,476,266 had been spent on the purchase of goods and the Fund had allowed an external institution to retain the balance sum of Rs.13,523,734 idling over a period exceeding 14 months. Subsequently, the money had been remitted to the Treasury on 12 August 2012. The following observations are made in this connection.

- (a) Out of the money given for capital expenditure on the development of a passenger terminal, a sum of Rs.29,686,523 had been spent on recurrent expenditure such as rent of buildings, transport, labour wages, electricity and telephone charges and other petty expenses.
- (b) The baggage scanner, metal detector and iron trolleys purchased at a cost of Rs.11,883,238 had been given free to the Department of Prisons without making use of those.

- (c) Computers and office furniture valued at Rs.4,906,505 had been given for use by the line Ministry and a Government Shipping Corporation.

As such the sum of Rs.46,476,266 paid for carrying out improvements to a passenger terminal had been used on other matters without being used for the specified purpose. Therefore, the expenditure had not been incurred for the achievement of the objective.

3.3 Corporate Plan and Annual Action Plan

A Corporate Plan and an Annual Action Plan had not been prepared as the Fund with a few fixed assets and several dormant debtors had not been functioning.

4. Systems and Controls

Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Debtors
- (c) Fixed Assets