

Report of the Auditor General on Head 176 – Ministry of Ports and Shipping – Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 176 – Ministry of Ports and Shipping for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 22 June 2016. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made to the Ministry amounted to Rs.2,227.82 million and out of which a sum of Rs.214.52 million had been utilized by the end of the year under review. Accordingly, a provision of Rs.2,013.30 million or 90.37 per cent of the total net Provision made to the Ministry had been saved. Particulars are given below.

Expenditure	<u>As at 31 December 2015</u>			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
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	Rs.Millions	Rs. Millions	Rs. Millions	
Recurrent	216.54	205.81	10.73	4.96
Capital	2,011.28	8.71	2,002.57	99.57
Total	2,227.82	214.52	2,013.30	90.37
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2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorised by Parliament

The limits authorised by Parliament for the Advances to Public Officers Account under Item No.17601 relating to the Ministry and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
6.00	5.89	2.90	5.02	20.00	14.31

2.3 Imprest Account

The balance of the imprest account bearing No.7002/0000/00/0015/000 under the Ministry as at 31 December 2015 amounted to Rs.10,051.

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements of the Ministry of Ports and Shipping for the year ended 31 December 2015 had been satisfactorily prepared, subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in the Management Audit Report appear in Paragraph 3.

3. Material and Significant Audit Observations

3.1 Non -maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following Registers.

Type of Registers	Relevant Regulation
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(a) Register of Security	Financial Regulation 891 (1)
(b) Register of Counterfoil Books	Financial Regulation 341

3.2 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) The entire net provision amounting to Rs.2,000.62 million made for 5 Objects had been saved.
- (b) Excess provisions had been made for 23 Objects and as such a sum of Rs.11.89 million or provisions ranging from 5 per cent to 96 per cent of the net provisions had been saved.

3.3. Imprest Account

The Ad-hoc sub- imprests unsettled by the Ministry as at 30 April 2016 totalled Rs.8,800. This balance which should have been settled by an interdicted officer had remained unsettled since several years.

3.4 Reconciliation Statement of the Advances to Public Officers Account

The following observations are made.

- (a) According to the Reconciliation Statement of the Public Officers Advance Account, bearing Item No.17601 as at 31 December 2015, the outstanding balances as at 18 July 2016 totalled Rs.1.00 million and an age analysis of those outstanding balances was not made available. Eventhough those balances remained outstanding for the period ranging from 1 to 26 years, it was failed to recover those outstanding balances even by 18 July 2016.
- (b) There was an unreconciled balance of Rs.80,823 between the balance as per the control account of the Public Officers loan balances as at 31 December 2015 and the balance appeared in Treasury books as at that date.

3.5 Good Governance and Accountability

Internal Audit

Even though an Internal Audit Unit had been established since 06 July 2015 after the revision of the scope of the Ministry, it consisted of the Chief Internal Auditor and another only one officer.

3.6 Assets Management

The following weaknesses were observed at audit test check carried out in respect of assets of the Ministry.

(a) Idle and Underutilised Assets

Three motor vehicles and a motor cycle valued at Rs.8.30 million belonged to the Ministry had been parked in the premises, being idle for more than 01 year.

(b) Deficiencies Observed in the Annual Board of Survey Reports

Action in terms of Financial Regulation 757(2) and (3) had not been taken in respect of excesses, shortages pointed out and other recommendations made in the Board of Survey reports relating to the year 2015 even by 18 July 2016.

(c) Irregular use of Assets not Vested

Four motor vehicles, the registered ownership of which belonged to another institutions had been used by the Ministry without being formally vested.

(d) Non – disclosure of Changes in Value of Furniture, Office Equipment and Plant and Machinery

There was a difference of Rs.2.01 million between the value of balance of furniture, office equipment and plant and machinery as at 31 December 2014 and the balance as at 01 January 2015.

(e) Unsettled Liabilities

According to an agreement entered into by the Sri Lanka Ports Authority in the year 2008 for the Colombo Port Expansion Project, there was a contingent liability of a tax amounting to Rs.48.97 million which should have been reimbursed to a foreign company by the Central Government.

3.7 Foreign Aid Projects

Provision of Rs.2,000 million had been made by the Ministry in the year under review under the foreign financing for the implementation of the Galle Port Development Project. Before making provision for this Project, the Ministry had failed to obtain the clearances and compliances required to be implemented the project from UNESCO under the World Heritage Conservation Program and as such the project activities could not be commenced even by the end of the year under review.

3.8 Performance

The observations in respect of the progress of the Ministry as per the Annual Budget Estimates and the Action Plan for the year 2015 are given below.

(a) Key Functions not Executed Adequately

Out of the duties and functions vested in terms of the Extra Ordinary Gazette Notification No.1933/13 dated 21 September 2015 in which the scope of the Ministry was stated had not been executed.

- (i) Functions related to taking over of Wreck Vessals and Ocean Salvages and the operations of Coastal Passenger Transport Services.
- (ii) The recovery of the loan of Rs.422.64 million due to the Shipping Development Fund and administrative functions.

(b) Planning

According to the Action Plan prepared in terms of Public Finance Circular No.01/2014 dated 17 February 2014 the following functions had not been performed.

- (i) Eventhough it was planned to submit the legal draft in respect of the provision of interior laws in compliance with the International Maritime Orgainsation Protocol to Parliament for approval it had not been executed even by the end of the year under review.
- (ii) Even though the revision of fees chargeable on trade and shipping functions should have been completed on 30 June 2015, as planned it had not been completed even by 30 June 2016.
- (iii) The Printing Process of CDC and COC certificates to be commenced as at 30 June 2015, had remained at an initial level.
- (iv) Even though it was planned to enter into Memorandum of Understanding with Korea and Portugal in respect of the international recognition certificates awarded to Sri Lankan mariners, action had not been taken to enter into Memorandum of Understanding with Portugal even by 30 June 2016.

3.9 Transactions of Contentious Nature

According to an order placed on a request made by a former Project Minister in the Ministry of Ports and Shipping, a liability of Rs.906,192 had been incurred for the Supply of Printing of 29,000 greeting cards for the year 2015 and envelopes and stickers to be printed and supplied in the months of November and December 2014. According to a Decision made on 08 January 2015 by the Cabinet of Ministers, instructions had been given to stop incurring expenditure of Ministries extraneous to normal expenses. The supplier had sent a letter of demand to the Ministry for legal proceedings against the suspension of the payments to the bills as per the above instructions.

3.10 Losses and Damages

Action had not been taken to recover the loss amounting to Rs.481,550 caused to a jeep belonging to the Ministry from the responsible parties.

3.11 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
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(i)	Senior Level	38	21	17	-
(ii)	Tertiary Level	07	01	06	-
(iii)	Secondary Level	86	55	32	01
(iv)	Primary Level	54	23	31	-
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	Total	185	100	86	01
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