

## **Sri Lanka Ports Authority - 2018**

---

### **1.1 Disclaimer of Opinion**

The audit of the financial statements of the Sri Lanka Ports Authority for the year ended 31 December 2018 comprising the Statement of Financial Status as at 31 December 2018, Comprehensive Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and 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 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 Authority. 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**

I do not express an opinion 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 of 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 Public Sector 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 Authority'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 intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

As per Sub-Section 16(1) of the National Audit Act No.19 of 2018, the Financial Statement 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 Authority.

#### **1.4 Audit Scope (Auditor's responsibility for financial statements)**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Accounting Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following:

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority and

whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority.
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5. Financial statement**

### **1.5.1 Non- Compliance with the Sri Lanka Accounting Standards**

<b>Non-Compliance to standards with reference</b>	<b>Response of the Management</b>	<b>Recommendation</b>
(a) In preparing the Cash Flow Statement as per section 20 of the Sri Lanka Accounting Standards 07, all non-financial items should be adjusted to profit before tax. But, in preparing the Cash Flow Statement of the Authority during the year under review, separation of Rs.113,638,189 which has been shown under the Administrative expenditure in Financial Statements had not been adjusted as bad debt and doubtful debt.	Action will, in future, be taken to adjust Rs..113,638,189 as bad debt and doubtful debt.	In preparing the Cash Flow Statement under the direct method, variations of the non-financial items should be adjusted to tax before profit to ascertain the cash flow generated from operational activities.
(b) As per the Para 51 of the Sri Lanka Accounting Standards 16, useful life-time and scrap value of fixed assets should be reviewed annually and variations if any, should be adjusted in terms of Standard 8 of the Sri Lanka Accounting Standards, 6 categories of assets of the Authority amounting to Rs. 86,019 million as at 31, December 2018 had not been reviewed.	The relevant review for 05 asset items has been done as per accounting standards and it has been disclosed by No. 53 of the notes for financial statements that this review procedure will be continuously carried out by an appointed committee.	Action should be taken as per the Sri Lanka Accounting Standards.

- |  |  |  |
|--|--|--|
| <p>(c) The loan of US \$ 24 million obtained by the Magampura Port Management Company (Pvt) Ltd., of which the operational activities had been ceased since November 2017, had not been settled by this company and sufficient funds were not available with the company to pay back the loan by the date of this report as well. However, on 02<sup>nd</sup> April 2019 a Letter of Demand had been sent by the Bank concerned to the Sri Lanka Ports Authority as the Guarantor of the loan, stating that legal action would be taken to recover the outstanding loan balance of US \$ 22.3 million. Even an allocation of contingent liabilities had not been made for this by the Authority.</p> | <p>As mentioned in the report, a Letter of Demand has been received and necessary legal action is in progress.</p> | <p>Necessary action should be taken according to the legal background.</p> |
|--|--|--|

**1.5.2 Writing off from Accounts without taking concurrence.**

<b>Audit Observation</b>	<b>Response of the Management</b>	<b>Recommendation</b>
<p>(a) The loan balance of Rs. 147,746 million remained in the Accounts of the foreign loans which had been obtained for construction of the Port of Hambanthota had been written off by the Authority from Financial Statements of the Authority without taking the concurrence from the general treasury and the cabinet of ministers and therefore details of that loan had not been included in any account of the Government. According to the documents of the Department of External Resources of the General Treasury, this loan balance as at 31<sup>st</sup> December 2018 was Rs. 179,546. However, no agreement had been arrived at between the two parties regarding the accounting of this loan even by the end of the year under review. Foreign Exchange conversion loss Rs. 31,544 million as calculated upto the period 30<sup>th</sup> November 2017, in relation to the above mentioned loan had also been written off from the Accounts of the Authority and foreign exchange conversion loss Rs. 59,940 million including the foreign</p>	<p>Not agreed.</p> <p>Agreements relating to the foreign loans of the Port of Hambanthota have been entered into between the Government of Sri Lanka and the Sri Lanka Ports Authority and matters relating to the repayment of loans had been transferred to the Sri Lanka Ports Authority by a cabinet decision.</p> <p>Accordingly, the loan plus interest has been paid by the Authority. The Government has assured under the paragraph (III) of the Cabinet Decision No.17/1580/737/018 dated 25, July 2017 that the total outstanding loan balance will be paid by the General Treasury and the Sri Lanka Ports Authority will no longer be required to fulfil the service of loans related to the Port of Hambanthota. Accordingly, the General Treasury has been informed by the letter dated 23.02.2018 that</p>	<p>Action should be taken to arrive at a final concurrence, after discussing with the General Treasury.</p>

exchange accumulated loss Rs. 28,396 this loan balance has been written off for the period from 30<sup>th</sup> November 2017 from Financial Statement of the to 31<sup>st</sup> December 2018 had not been Authority. entered in accounts as at 31<sup>st</sup> December 2018.

### 1.5.3 Unsettled receivables.

Audit Observation	Response of the Management	Recommendation
Although the Financial Statements had mentioned that a sum of Rs. 5149.9 million had to be received from the General Treasury as at 31 December 2018, in lieu of the loans paid by the Authority obtained for the construction of the Port of Hambanthota, the Authority had not received this amount upto 30 <sup>th</sup> September 2019.	Letters, requesting to pay this amount to the Authority have been sent to the General Treasury on 30 <sup>th</sup> August 2017, 28 <sup>th</sup> of December 2017 and on 19 <sup>th</sup> November 2018 and the Board of Directors have been notified by a Board paper at its meeting held on 12 <sup>th</sup> February 2019. Further, a letter dated 10 <sup>th</sup> April 2019 addressed to the Secretary of the General Treasury by the Secretary to the Ministry of Ports & Shipping and Southern Development was sent as decided by the Board of Directors.	Action should be taken to recover what is to be received.

## 1.6 Receivable and Payable Accounts

### 1.6.1 Amounts to be received

Audit Observation	Response of the Management	Recommendation										
Shipping Agent's debtor balance that had exceeded 30 days as at 30 <sup>th</sup> December 2018 was Rs. 793,273,839 This was 28% of the total shipping agent's debtor balance.	<p>The debtor balance that had exceeded 30 days is as follows;</p> <table border="0"> <tr> <td>Port of Colombo</td> <td>Rs.756,924,136.35</td> </tr> <tr> <td>Port of Trincomalee</td> <td>Rs. 2,041,423.74</td> </tr> <tr> <td>Port of Galle</td> <td>Rs. <u>34,308,279.55</u></td> </tr> <tr> <td></td> <td>Rs. 793,273,839.64</td> </tr> <tr> <td></td> <td>=====</td> </tr> </table>	Port of Colombo	Rs.756,924,136.35	Port of Trincomalee	Rs. 2,041,423.74	Port of Galle	Rs. <u>34,308,279.55</u>		Rs. 793,273,839.64		=====	Action should be taken to recover the loan balances that have exceeded the loan period.
Port of Colombo	Rs.756,924,136.35											
Port of Trincomalee	Rs. 2,041,423.74											
Port of Galle	Rs. <u>34,308,279.55</u>											
	Rs. 793,273,839.64											
	=====											

## 1.7 Non-compliance with the laws, rules and regulations and management decisions

Reference to laws, rules and regulations etc.	Non-Compliance	Response of the Management	Recommendation
(a) Section 11 of the Finance Act No. 38 of 1971 and the section 8.2.2 of the Public Enterprise Circular No. PED/12 of 2 <sup>nd</sup> June 2003.	Concurrence of the Minister of Finance had not been obtained for Rs. 35,935 million invested in fixed and short term deposits by the Authority as at 31 <sup>st</sup> December 2018.	Not agreed. A letter has been sent to the Secretary of the General Treasury by the Secretary to the Ministry for his approval to these deposits made in the year 2018. Obtaining relevant approvals in beyond our control.	In terms of legal provisions concurrence of the Minister of Finance should be taken for investing in fixed deposits.
(b)Section 10(5) of the Finance Act No. 38 of 1971	If there is any surplus cash of a state Co-operation in any year, the balance after making deductions as stated in the Act, should be credited to the Consolidated Fund. But, the net profit Rs. 18,607.12 million accumulated from 2016 to 2018 had not been credited to the Consolidated Fund. Further, the above profit had included Rs. 5,989 million lease rent which had been collected from the two companies; South Asia Gateway Terminal (SAGT) and Colombo International Container Terminal (CICT) which are the terminal operators on long term lease basis and Rs. 7,617 million as the royalty thereof for the said period had been included. It was observed that these revenues are not direct revenues from Port Operations.	Not agreed. According to the Sri Lanka Ports Authority Act, it is mentioned that dividend should be paid subject to an 8% of the Equity Capital incurred by the Government in formation of the Sri Lanka Ports Authority. However, it has been informed by the Department of Public Enterprises by their letter dated 24.04.2018 that the Sri Lanka Ports Authority has been exempted from paying dividends. This exemption has been granted since the Sri Lanka Ports Authority is paying the loans obtained by Sri Lanka for projects of national importance.  Annual lease rent and the royalty collected from the SAGT and CICT has not been shown under the direct operational revenue	Since it is mentioned in the Act that, after making the deductions from the surplus cash of a state corporation in any year the balance should be credited to the Consolidated Fund as mentioned in the Financial Act.

it has been shown under the other operational income.

(c) Section 2.3 and 3.1 of the Public Enterprises Circular No. PED1/2015 dated 25<sup>th</sup> May 2015.

As disclosed in checking sample, 10,764 litres of fuel had been given to 135 officers as monthly fuel allowance contrary to the Circular instructions in the month of December of the year under review alone.

Although a letter was forwarded to the Public Enterprise Department seeking approval for these fuel allowances, no reply has been received so far.

Should act according to the provisions made in the relevant circulars.

(d) Circular of the Public Enterprise Department No. PED 03/2016 dated 29<sup>th</sup> April 2016

Although the PAYE Tax should be paid by deducting from the salaries of officers concerned, this tax to be paid by the employees of the Sri Lanka Ports Authority had been paid from the funds of the Authority. Accordingly the amount paid from the Authority funds for the period from upto December 2018 from the assessment year 2011/2012 including Rs. 479 million, is Rs. 2,841 million as PAYE Tax had been paid by the Authority.

Paying the PAYE Tax for the employees of the Sri Lanka Ports Authority is in effect from 1997 and is continuing monthly upto now. A copy of the the Board Decision in this regard is attached herewith

This tax should be paid by the employees in terms of the Inland Revenue Act No. 10 of 2006

Further, a copy of an Audit Query received by us at the initiation of these payments had also been referred to the General Treasury, the Department of Public Finance Policy and Economic Affairs of the General Treasury has expressed a written concurrence and also this letter mentions that the Inland Revenue Department also has no objection with regard to this payment if the employer is paying tax on tax.

(e) Circular No. SEC/2015/05 dated 06 July 2015 issued by the Department of Inland Revenue on 07<sup>th</sup> March 2011.

In paying bonus to employees in Government institutions PAYE Tax should be deducted from their bonuses but the Ports Authority had paid their PAYE Taxes from the funds of the Authority.

Board of Directors has given the authority to the Chairman to nominate a committee to take an effective decision in respect of the PAYE Tax, employees comprising

PAYE Tax should be paid according to the provisions made in circulars.

officers from both the Human Resources Division and the Finance Division which will hold consultations with the Trade Unions as well to submit a cost effective proposal to the Board of Directors.

- |   |  |  |   |
|---|--|--|---|
| (f) Treasury Circular No. IAI/2002/2 dated 28 November 2002.  | A separate assets register had not been maintained for the computers and soft wares of which the cost amounts to Rs. 452 million.  | Computer Assets Register was prepared by the Information Systems Division after conducting a fresh survey and this is being reconciled with the assets register of the Finance Division.   | A separate assets register should be maintained for computer soft wares.  |
| (g) Section 40 (1) of the national audit act and (3) of the Management Audit Department No. DMA/2009 (3) dated 1 <sup>st</sup> October 2009 and Standards No. 1110.A1 of the Internal Auditing Standards for Public Sector institutions of Sri Lanka. | Although the Internal Audit reports need to be forwarded to the Board of Control to assure the independence of the internal audit, internal audit reports of the Authority had been forwarded to the Heads of Divisions instead. | Not agreed.<br><br>It is clearly specified in the corporate plan and the organizational chart of the Authority that the chief Internal Auditor is an officer post who acts independently and is responsible directly to the Chairman, it is pointed out that no harm to the independence of the post has been caused by the matters mentioned in the report. | Internal Audit Reports should be forwarded to the Chairman for his information and for his attention for the rectification of matters quarried by the Internal Audit. |
| (h) Section 9.3.1 of the Public Enterprise Department Circular No. PED/12 dated 02 <sup>nd</sup> June 2003  | No Action had been taken to get the approval for the new Scheme Of Recruitment of the Authority until 30 <sup>th</sup> April 2019.   | Action is in progress to rectify the weaknesses identified in the new Scheme of Recruitment.   | A formal Scheme of Recruitment should be prepared and action should be taken to get the approval.   |
| (i) Circular of the Ministry of Finance and Mas Media No. 03/2018 dated 18 July 2018.   | Salaries of 560 employees had been increased in 2018 from Rs. 17,700 to Rs.31,150 monthly contrary to the circular   | Decision has been taken for payment considering the Treasury observations. The letter of the   | Payments had not been approved by the Department of Management  |



	instructions.	Department of Management Services dated 02.07.2018 is attached.	Services and had informed to revise the salary structure. Action should not be taken in a manner where circular instructions are violated.
(j)Section 1.9 (i) and 3.4 of the Trade and Investment Circular No. 01/2018 dated 15 <sup>th</sup> February 2018	In considering the active period of service of an employee to grant a duty free vehicle permit his interdiction period of 6 months had been considered against instructions stipulated in the circular and a duty free vehicle permit had been issued to this employee on recommendation of the Authority.	Reply for the Audit Query has not been submitted.	Action should be taken according to the Circular instructions.

## 2. Financial Review

### 2.1 Financial Results

According to the Consolidated Financial Statements submitted, the profit of the group for the year ended 31<sup>st</sup> December of the year under review, was Rs. 4,339 million and the profit of the authority was Rs. 4,247 million. Since the profit of the group and the profit of the Authority was Rs. 12,052 million and Rs. 12,095 million respectively, in comparison with the previous year Rs. 7,713 million and Rs. 7,848 million had been reduced respectively from the group and the Authority. Compared to the previous year, increase in the foreign exchange loss Rs. 9,123 million had mainly caused for the decline in the financial result.

### 2.2 Possibility in analysing the main income and expenditure subjects.

- I. Compared to the previous year, the revenue had increased by Rs. 3,156,669,222 or 8.9% and the revenue from other operations had increased by Rs. 4,653,276,542 or 67%.
- II. Compared to 2017, direct expenditure, administrative expenditure and foreign exchange loss during the year under review had increased by 5.5%, 12% and 416% respectively.
- III. Compared to the total income operational profit which was 34.02% in 2017, increased in 2018 by 40.19% and the net profit ratio of 27.51% in 2017, had decreased to 8.12% in 2018. Similarly, when the direct operational net profit is considered as a percentage of the income, it was 19.43% in 2017 and had decreased to 8.77% during the year under review.
- IV. The current ratio and the quick ratio of 2017 was 1:22:1 and 1:20:1 and by end of the year under review this had gradually increased upto 3:29:1 and 3:15:1 respectively.
- V. In considering the general cost spent per employee of the Authority in 2017 was Rs. 1,768,164 and it increased to Rs. 2,072,257 in 2018, which was caused by the increase in the salaries and overtime of employees.

### 3. Operational Review

#### 3.1 Management Inefficiencies

Audit Observation	Opinion of the Management	Recommendation
<p>(a) As at 31<sup>st</sup> December 2018, 1782 employees were in service exceeding to the approved cadre of the Authority. Further, there were 384 vacancies for employees in sections where there were direct combination to the operational activities of the Authority. Similarly there was a surplus of 574 employees in 15 sections with no direct combination to the operational activities. However, Rs. 4,688 million had been paid as overtime, including a total overtime payment of Rs. 971 million paid for employees of sections with excess staff.</p>	<p>Employees are scheduled to be recruited for vacancies existing in operations, Civil Engineering and Mechanical Engineering Divisions. Those employees in service have already been allowed to do overtime on requirement in each Division.</p>	<p>Action should be taken to employ the staff efficiently and reduce overtime.</p>
<p>(b) Permission had been granted to give away 100,000 m<sup>3</sup> of crushed aggregate 11,250 m<sup>3</sup> of quarry dust and 90,000 m<sup>3</sup> of rock boulder belonging to the Authority pile up at the Hambanthota Port Premises to the local agent of the Chinese contractor who involved in the construction of the Port of Hambanthota free of charge. It was observed that the Authority had a loss of approximately Rs. 26,479,581 in evaluating the value of the above materials based on the premarket price. The Board of Directors decision taken to give away the rock boulders free of charge was not submitted for auditing.</p>	<p>Rock boulders for the construction of phase I and II of the Port of Hambanthota have been obtained from a quarry outside the port. The quarry is owned by a permit holder of Mahaweli Authority and the China Harbour Engineering Corporation has paid the royalty for the rock boulders to the Mahaweli Authority by the owner's name. Quarry dust from the crushed rock boulders had been piled up at the port premises.</p>	<p>Action should be taken to obtain the approval of the Board of Directors in giving away rock boulders, quarry dust and crushed aggregate belonging to the Authority to other institutions free of charge.</p>
	<p>The rock boulders found from excavations conducted during port construction work were being carried out, were crushed by the Magampura Port Management (Pvt) Company using a metal crusher and the remains have been piled up in the port premises.</p>	

The Sri Lanka Ports Authority called for tenders to remove the rock boulders piled up in the port premises and tender was awarded to an external contractor.

It was reported that these materials were transported by other parties without the knowledge of the Authority and that the materials of the main contractor of the Hambanthota port project were also being transported along with the said materials.

The China Harbour Engineering Corporation (CHEC) has informed the Sri Lanka Ports Authority in writing that the above materials also belonged to them. Further, the Hambanthota District Secretary has informed in writing that the transportation of rock boulders outside port premises be suspended.

Based on the above fact the transportation of rock boulders by a private contractor was temporarily halted. The Hambanthota District Secretary had also been informed of the same.

(c)As per the article No. 165 of the Customs Ordinance, an appeal can be made to the Finance Minister against a decision given in a customs investigation to reduce the customs penalty of Rs. 1580 million imposed by the customs on the 27 cranes imported without informing the Sri Lanka Customs in 2011; such an appeal had not been submitted to the Minister by the Authority.

The facts mentioned in the report are correct.

Action should be taken to include all imported items in the customs declaration.

However, Rs. 1,577.7 million had been allocated as contingency liabilities in accounts in this regard. The case filed in the court of appeal in this regard had been dismissed and later an appeal had been filed at the Supreme Court against the decision of the Court of Appeal.

- |   |  |  |
|---|--|--|
| <p>(d)As per the letter No. PE/PS/JCTL/GEN/2018 dated 24<sup>th</sup> April 2018, of the Department of Public Enterprise addressed to the Ministry of Ports &amp; Shipping with copy to the Chairman of the Sri Lanka Ports Authority, it was informed that Rs. 56,299,347 be remitted to the General Treasury through the SLPA as dividends upto 2017 from Jaya Container Terminal fully owned by the Sri Lanka Ports Authority, but the relevant remittance had not been made upto now.</p> | <p>Not agreed.<br/><br/>Reply has been given by the letter No. FD/DF/02 dated 26.07.2018</p>   | <p>Action should be taken according to the letter of the General Treasury.</p>           |
| <p>(e) The Department of Public Enterprise by their letter No. PE/EN/REV/REQ/2018 dated 04<sup>th</sup> September 2018 had informed the Sri Lanka Ports Authority that Rs. 350 million must be credited to the consolidated fund as the dividend from Public Enterprises, but the Sri Lanka Ports Authority had not taken action to remit this amount</p>   | <p>Not agreed.<br/>As per the Sri Lanka Ports Authority Act, dividends should be paid subject to 8% of the maximum capital incurred by the Government in forming the Sri Lanka Ports Authority. However, the Department of Public Enterprises has informed the Sri Lanka Ports Authority that it has been exempted from the payment of dividends by the letter dated 24.04.2018. The above exemption has been carried out as the Sri Lanka Ports Authority settles the loans obtained for port projects of national importance from its own funds.</p> | <p>Action should be taken as per the letter of the Department of Public Enterprise..</p> |

### 3.2 Operational Inefficiencies

#### Audit Observations

(අ) Out of the container handling terminals in the Port of Colombo, the only terminal where ships over 14.25 deep draft can call on, is the Colombo International Container Terminal with an annual handling capacity of 2.4 million TEUs. In 2018 308 ships of 14.25 deep draft had called on to this terminal and the volume of containers handled was over 2.6 million container units which was observed as exceeding the highest capacity.

Accordingly, when compared to year 2017, this terminal has recorded a 12% growth, and it was observed that the Port of Colombo would face with difficulties in providing terminal services if there is an increase in the demand for terminal services in the future. However, the construction work of the East Container Terminal with 18 m deep and 440 m in length and with an annual volume of 800,000 container units, spending a construction cost of Rs. 11,168 million granted by a local bank had been completed by April 2016 under the Colombo Port Expansion Project, the Authority had not taken steps to procure the necessary equipment including gantry cranes to commence operations even by 30<sup>th</sup> April 2019.

#### Comments of the Management

Agreed.

The main reason for the Colombo International Container Terminal to be able to achieve a higher position even beyond its maximum capacity is the adoption of attractive marketing strategies and the growth in the productivity. Dwell time of containers in yards have been reduced and thereby an increased number of containers were handled annually productivity has been mainly enhanced by the state of the Art yard complex, modern machinery, computer system and the management of Human resources. All twelve Gantry Cranes are “twin lifters” by which a couple of containers can be lifted at one time which rapidly increased the efficiency of container handling in the yard and as such if proper handling plans are introduced and modern machinery supplied and installed for the terminals of the Sri Lanka Ports Authority too, maximum productively can be achieved by increasing the annual container throughput.

#### Recommendations

Action should be taken to carry out a study into the growth in the container handling in order to face the increasing demand in the future.

### 3.3 Unutilized or underutilized property plant and equipment

---

#### **Audit Observations**

10 Nos. of old oil tanks with the capacity of 6,400 metric tonne belonging to the Authority located at the Port of Colombo were underutilized since 2015.

#### **Comments of the Management**

The government assessment reports for leasing out these 10 oil tanks on lease rent basis have been obtained and tender proceeds are being in progress to lease out these tanks on lease rent basis. During the year 2018, Rs. 29,961,157/= has been earned by leasing out under daily rent basis on approved tariff charges.

#### **Recommendations**

Action should be taken to lease out the oil tank complex on lease rent basis.