

Report of the Auditor General on Head 176 – Ministry of Ports and Shipping – Year 2016

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 2016 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 21 June 2017. 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 for the Ministry amounted to Rs.1,945.17 million and out of that a sum of Rs.1,231.86 million had been utilized by the end of the year under review. Accordingly, a provision of Rs.713.31 million or 36.67 per cent of the total net provision made for the Ministry had been saved. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs. Millions	Rs. Millions	
Recurrent	197.40	179.06	18.34	9.29
Capital	1,747.77	1,052.80	694.97	39.76
Total	1,945.17	1,231.86	713.31	36.67

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
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
4.00	3.98	2.90	4.18	20.00	12.36

2.3 Imprest Account

The balance of the imprest account No.7002/0000/00/0115/0016/000 under the Ministry as at 31 December 2016 amounted to Rs.12,790.

2.4 Audit Observations

The Appropriation Account and the Reconciliation Statements of the Ministry of Ports and Shipping for the year ended 31 December 2016 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 Appropriation Account

Budgetary Variance

Even though, provisions had been made under Supplementary Estimate allocations for 05 Objects in the year under review, the savings after the utilization of those provisions had ranged from 11 per cent to 71 per cent out of the provisions allocated by Supplementary Estimates.

3.2. Imprest Account

The balances of sub- imprests unsettled by the Ministry as at 30 April 2017 totalled Rs.8,800. This balance which should have been settled by an interdicted officer had remained unsettled since several years.

3.3 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No.17601.

- (a) There was a difference of Rs.80,823 between the balance of the Advances to Public Officers Account according to the books of the Ministry as at 31 December 2016 and the balance appear in the Treasury Books.
- (b) There was a difference of Rs.280,983 between the total of the summary of Individual List of balances and the closing balance shown in the Treasury books.
- (c) According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at 31 December 2016 totalled Rs.1,445,803. Even though, certain balances out of those balances remained over periods ranging from 13 to 27 years, the Ministry had failed to recover those outstanding balances even by end of the year under review.

3.4 Good Governance and Accountability

3.4.1 Annual Action Plan

Imprest requirement plan mentioned in the Paragraph 03 of the Public Finance Circular No.01/2014 dated 17 February 2014 and the Annual Procurement Plan had not been included to the Annual Action Plan prepared for the year 2016 by the Ministry.

3.4.2 Annual Procurement Plan

According to the Annual Budget Estimate, provisions of Rs.24.6 million had been approved by Parliament to obtain goods and services in terms of the Government Procurement Guidelines. However, a meaningful Procurement Plan highlighting various stages and the specific periods of the procurement process for utilization of provisions had not been prepared.

3.4.3 Internal Audit

Even though an internal audit unit had been established by the Ministry on 06 July 2015 only one officer had been attached thereon except the Chief Internal Auditor.

3.5 Assets Management

The following deficiencies were observed during the audit test checks of the assets of the Ministry.

(a) Idle and Underutilised Assets

Two motor vehicles belonging to the Ministry which met with accidents valued at Rs.11,340,000 had remained idle in the garage for the repairs for over 11 months.

(b) Conduct of Annual Boards of Survey

The following observations are made.

- (i) Several instances of certain activities not carried out relating to conduct of Annual Boards of Survey during the time frame mentioned in Paragraph 03 of the Public Finance Circular No.05/2016 dated 31 March 2016 were observed. Details appear below.
 - Suitable action had not been taken relating to the assets that could not be utilized which identified according to General 47 Report.
 - The reports of the particulars relating to purchases and assets which disposed had not been furnished to the Director General of Public Finance.
- (ii) 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 2016.
- (iii) A large amount of damaged goods had remained in the building premises ground floor of the Ministry even by 30 March 2017 due to non - implementation of recommendations made by Annual Boards of Survey in timely manner.

3.6 Foreign Aid Projects

Provisions of Rs.500 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.

3.7 Performance

The observations in respect of the progress of the Ministry as per the Annual Budget Estimates and the Action Plan for the year 2016 are given below.

(a) Key Functions not Executed

The following key functions had not been executed out of the duties and functions vested in terms of the Extra Ordinary Gazette Notification No.1933/13 dated 21 September 2015 shown in the scope of the Ministry.

- (i) Functions related to taking over of Wreck Vessals and Ocean Salvages.
- (ii) Functions relating to operations of Coastal Passenger Transport Services.
- (iii) Non- recovery of the loan of Rs.422.64 million due to the Shipping Development Fund.
- (iv) Failure to implement Galle Port Development Project.

(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 by 30 June 2016 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, it was planned to approve the legal draft for provision of Laws, Rules and Guidelines in compliance with the International Maritime Organization Protocol and published in the Gazette, it was in the discussion level even by the end of the year under review.

3.8 Losses and Damage

The following observations are made.

- (a) The damages amounting to Rs.4.28 million had been reported due to 20 motor vehicle accidents caused during the year under review. The losses incurred in 04 instances out of that amounting to Rs.246,967 had not been indemnified by insurance coverage.
- (b) A loss amounting to Rs.481,550 which had not been indemnified by insurance cover incurred due to an accident caused to a Jeep belonging to the Ministry had not been recovered from responsible parties even by 12 June 2017.

3.9 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2016 had been as follows.

Category of Employees	Approved Cadre		Actual Cadre		Number of Vacancies
	Permanent	Casual	Permanent	Casual/Contract	
(i) Senior Level	39	-	20	02	17
(ii) Tertiary Level	06	-	02	-	04
(iii) Secondary Level	85	-	43	01	41
(iv) Primary Level	55	02	23	04	30
Total	185	02	88	07	92