

## **Head 176 - Ministry of Ports, Shipping and Aviation**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

Head 176 - The audit of the financial statements of the Ministry of Ports, Shipping and Aviation for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, and cash flow statement for the year then ended, 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 read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Ministry of Ministry of Ports, Shipping and Aviation was issued to the Accounting Officer on 29 May 2023 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 31 May 2023 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the Ministry of Ports, Shipping and Aviation as at 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

My opinion is qualified based on the matters appear in Paragraph 1.6 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 opinion.

#### **1.3 Responsibilities of the Chief Accounting Officer on Financial Statements**

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry 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.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibility on Audit of 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 Auditing 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 skepticism throughout the audit. I also furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control and obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

## 1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018 .

- (a) The financial statements are consistent with the previous year,
- (b) The recommendations which I had made with regard to the financial statements of the preceding year had been implemented.

## 1.6 Comments on Financial Statements

### 1.6.1 Non-compliance of Financial Statements with Circular provisions

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<b>(i)</b> Although the advance receipts (SA-52) as per Treasury Books were Rs.22,907,740 it had been stated as Rs. 15,152,783 understating Rs.7,754,957 in the statement of financial performance.	<p>The advance receipts as per Treasury Books were stated as Rs. 22,907,740 from the total of error corrections in the Advance 'B' Account and the error corrections does not included in the value of Rs.15,152,783 shown in the financial statements.</p> <p>It has also been stated in a note that the debit and credit values deducted under F.R. 503(I) in the Format ACA-5, which provides advance data to the statement of financial performance.</p>	The figures in the financial performance statement should be shown according to the Treasury Books in terms of State Accounts Circular.
<b>(ii)</b> Although the advance payments as per the Treasury Books (SA-52) were Rs. 21,464,778, it had been stated as Rs.13,709,820 by understating Rs. 7,754,958 in the statement of financial performance.	According to the Treasury Books, the advance payments of Rs.21,464,778 has been shown from the total of errors and error corrections occurred in the advance 'B' account and error or error correction values are not included in the figure of Rs. 13,709,820 shown in the financial statements. It has been mentioned in a note that the debit and credit values that have occurred are shown in the subtracted values under F.R.503 (I) of Format ACA-	The figures in the financial performance statement should be shown according to the Treasury Books in terms of State Accounts Circular.

5, which obtains advance data for the statement of financial performance. It is further informed that the total expenditure figure of Rs.2,813,893,282 shown in the statement of financial performance is correct and the ability to compare values with debit and credit values made to correct errors in financial statements is lost.

(iii) Although the deposit receipts (SA-30) as per Treasury Books were Rs.1,470,508 it had been stated as Rs. 485,884 by understating Rs. 984,624 in the statement of financial performance.

The difference of Rs.984,624 which is between deposit receipts as per Treasury Books and deposit receipts in the statement of financial performance has consisted of the errors made in Merchant Shipping Secretariat CIGAS accounting, balance transfers in existed Government Ministries, wrongly accounted values, and error corrections made by the Treasury.

The figures in the financial performance statement should be shown according to the Treasury Books in terms of State Accounts Circular.

An amount from the Merchant Shipping Secretariat has been mistakenly accounted for in the deposit account of our Ministry while accounting to the CIGAS Computer Programme of our Ministry. The error has been rectified during the accounting year. Although the deposit balances of existed government Ministries have changed, as the imprest balance has not been transferred to this Ministry, those balances were not included in the statement of financial performance.

The error related to the deposit account has been accounted for and corrected. The reason for the

Rs.425 which was accounted for through the Treasury also the making corrections. Therefore, those values have not been considered while preparing the statement of financial performance.

(iv) Even though the deposit payments were Rs.1,512,284 as per Treasury Books (SA-30) , it was stated in the statement of financial performance as Rs. 485,884 by understating Rs. 1,026,400 .

The difference of Rs. 1,026,400 which is between deposit payments as per Treasury Books and deposit payments in the statement of financial performance has consisted of the errors made in Merchant Shipping Secretariat CIGAS accounting, accounting, balance transfers in existed Government Ministries, wrongly accounted values, and error corrections made by the Treasury

The figures in the statement financial performance should be shown according to the Treasury Books in terms of State Accounts Circular.

An amount from the Merchant Shipping Secretariat has been mistakenly accounted for in the deposit account of our Ministry while accounting to the CIGAS Computer Programme of our Ministry. The error has been rectified during the accounting year. The reason for the Rs.425 which was accounted for through the Treasury also the making corrections. Therefore, those values have not been considered while preparing the statement of financial performance.

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| <p><b>(v)</b></p>    | <p>Although the value of advances credited to the Head of the Ministry by other Heads as additions in the advance settlement statement had been stated as Rs. 11,049,908, thus the accurate value was Rs.7,845,601 as per Treasury Format SA-51, the total value had been overstated by Rs.3,204,307.</p> | <p>Your attention is drawn to the answers given to the statement of financial performance and since 02 existing Government Ministries have been merged into this Ministry in the year 2023, it is informed that the imprest reconciliation statement has been prepared by making appropriate adjustments in accordance with the said mergers and it is informed that the balance of Rs. 20,709,725,224 in the final reconciliation statement is also accurate.</p> | <p>The final rectification of Departmental Books should be done within the dates given by the Treasury and as an accurate trial balance will be prepared when doing so, financial statements should be prepared accordingly. The adjustments made by the Department should be informed to the Treasury.</p> |
| <p><b>(vi)</b></p>   | <p>Although the amount of debits made to the advance account by the reporting entity on behalf of Other Heads amounted to Rs.5,299,093 had been indicated as per the trial balance, it had not been shown as additions in the reconciliation statement.</p>   |  |   |
| <p><b>(vii)</b></p>  | <p>The value of deposit receipts related to the reporting entity by Other Heads amounting to Rs.984,599 had not been shown as additions in the imprest reconciliation statement as additions as per Treasury Format SA-30 and trial balance .</p>   |  |   |
| <p><b>(viii)</b></p> | <p>Even though the debits made to imprest account by Other Heads had been Rs. 3,462,970 as per Treasury Format SA-51, a sum of Rs. 9,421,294 had been shown as deductions in the reconciliation statement. Accordingly, a sum of Rs. 5,958,324 had been overstated in the reconciliation statement.</p>   |  |   |

<p>(ix) As per the trial balance, although the credits made by the reporting institution to the Advance B account on behalf of Other Heads were Rs.8,053,111, the value had not shown as a deduction in the imprest reconciliation statement.</p>	<p>Your attention is drawn to the answers given to the statement of financial performance and since 02 existing Government Ministries have been merged into this Ministry in the year 2023, it is informed that the imprest reconciliation statement has been prepared by making appropriate adjustments in accordance with the said mergers and it is informed that the balance of Rs. 20,709,725,224 in the final reconciliation statement is also accurate.</p>	<p>The final rectification of Departmental Books should be done within the dates given by the Treasury and as an accurate trial balance will be prepared when doing so, financial statements should be prepared accordingly. The adjustments made by the Department should be informed to the Treasury.</p>
<p>(x) Although the deposit payments made on behalf of the reporting entity by Other Heads was Rs. 1,026,375 as per Treasury Format SA-30, it had not been shown as a deduction in the reconciliation statement.</p>		<p>The final rectification of Departmental Books should be done within the dates given by the Treasury and as an accurate trial balance will be prepared when doing so, financial statements should be prepared accordingly. The adjustments made by the Department should be informed to the Treasury.</p>

## 1.6.2 Accounting Deficiencies

### (a) Reconciliation Statement of Advances to Public Officers' Account

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>(i) Even though a sum of Rs. 4,102,876 had been stated as advance receipts under cash flows generated from operating activities in the statement of cash flows, the receipts had been Rs. 23,115,251 as per the trial balance submitted for audit. Accordingly, the advance receipts had been understated by Rs.19,012,375 in the cash flow statement.</p>	<p>Transactions related to taking over the loan balances of the State Ministry of Aviation and Export Zone Development which were held in the trial balance of the Ministry, the mistakes made during that takeover as well as the corrections of those mistakes and the existing warehouse facilities, container yards, port supply facilities and the loans of the State Ministry of Boat and Ship Industry Development account entries for correcting errors in taking over balances are also included. Further, as the outstanding balances and cash balances of the existing</p>	<p>The final rectification of Departmental Books should be done within the dates given by the Treasury and as an accurate trial balance is being prepared, financial statements should be prepared accordingly. Adjustments made by the Department should be informed to the Treasury.</p>

Government Ministries have not been transferred to this Ministry, all relevant adjustments have been made to secure the comparability of the account information.

- (ii) Advance payments had been stated as Rs.4,288,526 under cash outflows from operating activities in the cash flow statement. Nevertheless, those payments had been Rs. 23,300,901 as per the trial balance submitted for audit. Accordingly, the advance payments had been understated by Rs.19,012,375 in the cash flow statement.
- The reasons for the difference of the prepayment values shown in the cash flows statement from the prepayment values shown in the balance sheet were the transactions related to taking over the loan balance of the State Ministry of Aviation and Export Zone Development in the Ministry trial balance, the mistakes made during that taking over as well as the corrections of those mistakes and the existing warehouse facilities, container yards, port, supply facilities and erroneous accounting entries made in taking over loan balances of the State Ministry of Boat and Ship Industry Development and since the imprest balances of the existed Government Ministries were not transferred to this Ministry, the account information has been presented in such a way that all appropriate adjustments have been made to secure the comparability of the account information.
- The final rectification of Departmental Books should be done within the dates given by the Treasury and as an accurate trial balance is being prepared, financial statements should be prepared accordingly. Adjustments made by the Department should be informed to the Treasury.

**(b) Failure to Maintain Records and Books**

The following registers had not been maintained by the Ministry and it was observed during the audit test checks carried out that certain documents had not been maintained regularly in an updated manner.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p><b>(i) Register of Damages</b> A Register of Damages had not been updated in terms of Financial Regulation 110(1).</p>	<p><b>Register of Damages Format 110 (1)</b> A Register of Damages is updated and maintained in relation to damage caused by accidents in respect of vehicles belonging to this Ministry and it is kindly mentioned that the Register has been forwarded to the National Audit Office for supervision on 24.04.2023.  Only the matters mentioned in numbers 06, 08, 10 and 11 of the said Format had not been mentioned in the Register of Damages of the Ministry. Therefore, it is further informed that the actions will be taken to revise and keep up to date as per F.R. 110(1) in the Register of Damages of the Ministry as indicated by the audit inquiry submitted by the National Audit Office.</p>	<p>An Register of Damages should be maintained in an updated manner as per the Format under the Financial Regulation 110 .</p>
<p><b>(ii) Register of Securities</b> A Register of Securities containing the particulars of the officers and employees required to keep security had not been prepared in terms of Finance Regulation 891(1) .</p>	<p><b>Register of Securities</b> Arrangements will be made in the future to prepare and maintain a Register of Securities containing the information of the officers and employees to keep securities .</p>	<p>A Register of Security should be maintained of the officers to be kept securities , containing the information mentioned in Finance Regulation 891(1).</p>

(iii) Vehicle log books should be placed in the custody of a staff officer or responsible officer of the Department in accordance with Financial Regulation 1645(b) and the said officer shall keep a vehicle log book in his office as per General Format 267 for each vehicle in his custody and ensure that all the necessary entries are made in it regularly. Nevertheless, the deficiencies such as incomplete maintenance of vehicle details, not recording the amount of fuel burned, not updating the annual license, not updating the transfer of custody of the vehicle, not recording the monthly summaries of journeys, not keeping the notes of the inspection officers were observed in the audit inspection carried out on 25 vehicle log books of the Ministry.

This Ministry owns 45 vehicles and separate log books are maintained for all those vehicles as per General Format 267. It is kindly informed that daily notes are made regarding the repair/maintenance activities (repairs, periodic servicing, replacement of battery, tyre fixing) carried out on each vehicle.

Vehicle log books should be maintained in respect of each vehicle as per General Format 267 of Financial Regulations 1645 (b) .

## 2. Financial Review

### 2.1 Revenue Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although the original income estimate and revised income estimate was shown Rs. 12,000,000,000 as per ACA 1 (II), the revised budget estimate was Rs.16,500,000,000 under the Revenue Code 20.03.02.08 as per the	With the abolition of the Ministry of Aviation and Export Zone Development the Civil Aviation Authority was entrusted to this Ministry in the fourth quarter of 2022 and the Civil Aviation Authority existed in that, operated only for a short	The original income estimate and the revised income estimate should be indicated accurately under the revenue Code as per Appropriation Act.

Appropriation (Amendment) Act No. 21 of 2022 dated 02 September 2022 . Accordingly, the original income estimate had been understated by Rs. 4,500,000,000.

period of 03 months in the year 2022 under this Ministry. Both you and we have noticed that there is a difference between the values appeared by the Civil Aviation Authority as revenue estimates and the values shown in the National Budget of the Department of National Budget as revenue estimates. It is kindly informed that the figures presented by the Civil Aviation Authority will be discussed with the Department of National Budget and the revenue estimates in the National Budget will be brought to the same value in the future and also to present the income estimates as realistically as possible and to revise the income estimates properly.

- (b) Even though the original revenue estimate had been shown as Rs.16,500,000,000, as per Annual Revised Budget Estimates, the estimate had been shown as Rs. 23,000,000,000 as per ACA Format 1 (II) under revised estimate of income. The revising of the original income estimate by a value of Rs.6,500,000,000 had not been reported to the Director General of Economic Affairs and Fiscal Policy with the reason for its revision by the Chief Accounting Officer as per F.R. 85 (2) (b) .

Since the Civil Aviation Authority has been taken over by our Ministry for a very short time, there was not enough time to correct those mistakes. It is informed the action will be taken to be reported to the Director General of Economic Affairs and Public Financial Policy by the Chief Accounting Officer with reasons therefor, and amended in the future, as per F.R. 85 (2) (b) in this regard.

When the original revenue estimate is revised, the Chief Accounting Officer should take actions to report it to the Director General of Economic Affairs and Fiscal Policy with the reasons for it and to get it revised.

## 2.2 Expenditure Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Due to not identifying and making provisions for the expenditure objects that should be essentially incurred, the total of 05 capital expenditure objects amounted to Rs. 147,450,000 and total of provisions of 02 recurrent expenditure objects amounted to Rs.270,000 had been entirely saved without any use.	Non-submission of bills by the Sri Lanka Ports Authority for electricity and water in expenditure object 176-1-2-0-1403-0/11 and 176-1-7-0-1203-0/11, absence of incurring expenditure as expected in expenditure objects of -176-0-8-1-11,176/0-2002-0-2-11/0-2001 and -0-8-1-17611/0-2002 and there were savings due to shortage of Dollars in the country, it is difficult for the contractor to open letters of credit for import of steel and therefore more than 50% of the total project cost has to be used for steel plates from local steel manufacturing shops and the project structure has to be redesigned three times, although the request of the contractor to consider increasing the price due to price fluctuations was submitted through a cabinet paper, the approval was not received until the end of the year 2022 in expenditure object No. 176-2-4-24-2506-0/17 and non-construction work in 2022 due to non-approval of EXIM Bank's initial eligibility verification document for granting loan and the letter submitted by Department of Foreign	Estimates should be accurately prepared as per the F.R.50 .

Resources dated 05.11.2022 to increase the loan amount.

- (b) Due to failure of making accurate predictions while making estimates, provisions from the net provision had ranged from 30 per cent to 99 per cent as Rs.3,400,528,713 in 08 capital expenditure objects and Rs.4,601,679 in 14 recurrent expenditure objects.
- In 176-1-1-0-1001-0/11, absence of a Minister during the year 2022 and non-receipt of the salary of existing Minister, In 176-1-1-0-1203-0/11, officers not claiming uniform allowance, 176-1-1-0-1403-0/11 no need to bear the cost of water and electricity in the quarters of the Ministers before 20.05.2022, 176-1-1-0-1302-0/11,176-1-8-0-1302-0/11,176-1-8-0-1303-0/11, 176-1-1-0-2002-0/11, 176-1-9-0-2002-0/11 no expenditure arises, 176-1-2-0-1203-0/11, 176-1-2-0-1205-0/11,176-1-2-0-1508-0/11, 176-1-9-0-1203-0/11,176-1-9-0-1205-0/11,176-1-9-0-1302-0/11,176-1-9-0-1403-0/11,176-1-9-0-1506-0/ 11, 176-1-9-0-2401-0/11 not incurring expenses as expected, in 176-2-4-24-2506-0/12 difficulty in opening letters of credit for steel imports due to shortage of dollars in 176-2-4-24-2506-0/12 construction on having to redo the project structure three times due to having to use local steel production plates for more than 50% of the project cost the works got delayed. Therefore, payment activities are not carried out as expected. Also, due to price
- Estimates should be accurately prepared as per the F.R.50 .

fluctuation due to lack of approval for price increase, the contractor has not been paid, in 176-2-4-25-2506-0/12, 176-2-4-25-2506-0/17 Feasibility Study Draft Report and Environmental Impact Assessment Report Draft have been sent to the Project Consultant. Payments are scheduled to be made after these reports are approved by the Asian Development Bank, in 176-2-10-1-2302-0/12 due to non-approval of the initial eligibility verification document for granting loans by EXIM Bank and the letter submitted by the Department of Foreign Resources dated 05.11.2022 for increasing the loan amount, failure of carrying out construction activities in the year 2022 and temporary suspension of new projects not started in Annex I of Circular No. 03/2022 in 176-2-11-1-2506-0/11 and being gazette 2281/41 No. under the Sri Lanka Board of Investments, Ministry of Investment Promotion by the Gazette dated 27.05.2022 .

- (c) Due to overestimations were made in preparing original estimates, the provisions totalling to Rs.14,097,049 from 14 expenditure objects had been transferred to other expenditure objects under F.R. 66 .
- Officers not claiming uniform allowance 176-1-1-0-1203-0/11, officers claiming official vehicles instead of transport allowance 176-1-1-0-1401-0/11, according to the National Budget Circular
- Estimates should be accurately prepared as per the F.R.50 .

1/2022 of 1408-0/11, entering into new lease agreements has delayed 176-1-1-0 before 20.05.2022, not having to bear the cost of water and electricity in the quarters of Ministers, for 09 expenditure objects, although allocations were allocated from the Annual Budget with the expectation that the Ministry would operate throughout the year, due to the abolition of the State Ministry according to gazette notification No. 2277/53 and dated 2022-04-28, the allocations remained and expenditure less than expected in 176-1-8-0-1302-0/11.

- (d) Additional provisions of Rs.637,178,000 and Rs.76,461,360 respectively had been obtained under supplementary estimate provisions for expenditure objects 176-2-4-25-2506-0/12 and 176-2-4-25-2506-0/17 (Infrastructure Development) . Due to the fact that Rs.506,136,839 and Rs.46,331,709 had been used for that purpose in the year under review, a 31 per cent equal to Rs.231,041,161 and 46 per cent equal to Rs.40,129,651 respectively of the additional provision, had not been utilized out of the net provision.
- Draft Feasibility Study Report and Draft Environmental Impact Assessment Report have been sent to the Project Consultant under the Colombo North Port Development Project. The reports have been submitted to the Department of Coastal Conservation and Coastal Resource Management for monitoring and as the comments of the first Technical Evaluation Committee Report held in November 2022 are included in the final report and payments are to be made after receiving the approval for the feasibility study report and environmental
- Estimates should be accurately prepared as per the F.R.50 .

impact assessment reports from the Asian Development Bank, in addition to the provision made for 176-2-4-25-2506-0/12 and 176-2-4-25-2506-0/17 expenditure objects in the Annual Budget Estimates, the provision made in the Supplementary Estimates has saved 31 per cent and 46 per cent respectively due to inability to make payments.

### 2.3 Entered into Liabilities and Obligations

#### Audit Observation

Liabilities of Rs.335,297,489 related to 65 cases for the year 2022 were settled in the first 02 months of 2023 as per the audit test check carried out and these expenses had not been entered as liabilities in the statement of commitments and liabilities as at 31 December 2022 and the liabilities related to 06 expenditure objects amounted to Rs.331,168,236 had exceeded the savings.

#### Comments of the Chief Accounting Officer

As the bills related to liabilities 2022 have not been submitted to the Accounts Department for payment even by 31.12.2022, the aforesaid bills were not included in the register of liabilities. Those bills were presented for payment in the year 2023. Therefore, the liabilities of the year 2022 have not been recognized as liabilities in the register of liabilities. All the bills submitted in the year 2022 related to the year 2022 have been paid in full on 31.12.2022.

#### Recommendation

It should not enter into liabilities without having estimate provisions in terms of F.R .94 .

## 2.4 Non- compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions of laws, rules and regulations observed during audit test checks are analyzed below.

	<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>	
	<b>Reference to the Laws, Rules, Regulations etc.</b>			
(i)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	F.R. 128 Paragraph (2) (c)	Although half-yearly reports of arrears of government revenue should be prepared and submitted to the Auditor General, the reports related to 30 June and 31 December 2022 had not been prepared and submitted on the due date.	F.R. 128 Paragraph (2) (c) Since the Civil Aviation Authority has been taken over by our Ministry in a very short time, it was not possible to prepare the arrears of income reports and a note has been made to submit on the due date in future.	It should prepare half-yearly reports on arrears of government revenue and submit them to the Auditor General
(ii)	F.R. 1646	Although the daily running relating to the vehicles owned by the Ministry should be sent to the Auditor General by the 15th day of the following month along with the original copies of the monthly summary of running, actions had not been taken to submit the running charts of 47 vehicles owned by the Ministry to audit.	F.R. 1646 A part of the original copies of daily running charts and monthly summaries checked in the year 2022 related to the vehicles owned by the Ministry has been sent to the Government Audit Division on 17.11.2022. It is informed that the	The daily running charts related to the vehicles owned by the Ministry should be sent to the Auditor General before the 15th day of the following month along with the original copies of the monthly summary of running .

other daily running charts are currently being checked and will be handed over to the Audit Department promptly.

### 3. Operational Review

#### 3.1 Foreign Aid Projects

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>(a) A Dollar Loan Agreement had been signed on 10 January 2018 between the Government of Sri Lanka and the Indian Import and Export Exim Bank to obtain a loan amounting to US\$ 45.27 million for the reconstruction of Kankesanthurai port. Although more than 04 years have passed since the signing of the loan agreement on 31 December 2021, the construction of the port had not been commenced. It had been planned to commence the construction works of the Project in September 2021 as per the information submitted to the audit. However, the reconstruction works of this Project had not been commenced even by 31 December 2022 .</p>	<p>(a) (b) The Dollar Debt Relief Agreement between the Government of Sri Lanka and the Government of India was signed in January 2018. The Loan Waiver Agreement was signed between the Government of Sri Lanka and the Sri Lanka Ports Authority in October 2018 to transfer the loan amount to the Sri Lanka Ports Authority. Before commencing the construction works, calling for pre-qualification to select a consultant, inviting tenders among short-listed bidders, holding discussions and selecting the suitable consultant, preparing the consultant agreement while negotiating the terms and signing the agreement, the following preliminary work site investigations: structural</p>	<p>Before making plans, a prior attention should be drawn to the clearances and compliances that may be required to implement the Project.</p>

plans, drawing plans, specifications and a number of other mandatory activities had to be done including reviewing the Bills of Quantities and Project Report (DPR), preparation of tender documents (in five volumes) and preparation of pre-qualification documents, and performing consultancy works.

(b) The provision of Rs. 797,000,000 had been made under the Kankesanthurai Port Rehabilitation Project in the Annual Revised Budget Estimate 2022. The provision had been made for the main expenditure of Rs. 700 million and Rs. 97 million for taxes. However, out of the above provision amount of Rs.700,000,000, the expenditure incurred was Rs.55,185,115 as per the annual financial statements. Accordingly, only 8 per cent had been utilized.

All the above tasks have been completed so far.

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The pre-qualification document with the revised detailed project report has been submitted for approval by the EXIM Bank of India on 26 January 2022. Even though the concurrence for the agreement was received for the detailed project report in November 2022, despite 15 months have passed, the agreement for pre-qualification has not been received even by now. Sri Lanka Ports Authority is not capable to start inviting tenders for a construction contractor without consent on both these documents. After receiving the approval of EXIM Bank of India for both the above mentioned documents, the pre-qualifications will be invited to shortlist the bidders for the construction contract and tenders will be selected only among the shortlisted

bidders under the pre-qualification process. Then at the stage of inviting tenders, their proposals will be consulted and the suitable bidder will be selected for awarding the construction contract. The Sri Lanka Ports Authority will be able to start inviting tenders for a construction contractor only after all these tasks are completed. The Sri Lanka Ports Authority has requested through the Line Ministry from the EXIM Bank of India that to increase the Dollar Loan Concession to 61.5 US dollars according to the decision of the Cabinet of Ministers on 25.10.2022. Since it has not received a response up to now, the Sri Lanka Ports Authority has requested the Department of External Resources to convene an urgent meeting regarding this and waiting for a date for that. In the absence of approval/agreement to obtain sufficient loan amount to cover the total project cost, the construction work is again unable to start.

Therefore, the project work has now seemed to be terminated lack of the approval/ concurrence/ decision to be taken at the State Level.

#### 4. Good Governance

##### 4.1 Providing of Services to the Public

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>(a) It is necessary for every Ministry to prepare a system for the monitoring and evaluation of the preparation and implementation of statutes in terms of Section 2.3 of the Circular No. 05/2008 dated 06 February 2008 issued by the Secretary of the Ministry of Public Administration introducing the Citizen Client Charter and in this, it is needed to implement a supervision process for the reparation and implementation of the charter as planned by the relevant institutions in order to verify whether the provision of those services has been confirmed in a more effective and quality manner. Accordingly, although a quarterly evaluation was done in this Ministry in the year 2021, it was observed in the audit that the monitoring and evaluation of the citizen/client charter process for the year 2022 has not been done up to 31 July 2023 .</p>	<p>A monitoring process should be implemented to verify the Citizen Client Charter in terms of Section 2.3 of Public Administration Circular 05/2008 and a quarterly evaluation was done in the year 2021 for that. The respective Divisions have informed that there is no need for amendments in checking the information related to the last quarter presented by each Division of this Ministry. Nevertheless, it is better to carry out an evaluation after a reasonable period as specified in the Circular. Since one of the two officers of the committee appointed for that supervision and evaluation during that period transferred full-time to another institution and also the aviation sector has also joined this Ministry by now, it is mentioned that two new members have been appointed as that sector is also represented to perform the said services more effectively and qualitatively. Accordingly, as indicated in the audit query, it is informed that the inspection and</p>	<p>Arrangements should be made to monitor and evaluate the citizen/client charter process after a reasonable period of time as specified by the Circular.</p>

evaluation will be done for the half year ended 30 June 2023 including the aviation sector before 05 October 2023 .

- (b) The Citizen/Client Charter is a dynamic concept and studies, analysis as well as planning should be done frequently during the initiation and implementation of the Charter in terms of Section 2.3 of Circular 05/2008 issued on 06 February 2008. Nevertheless, due to the Ministry of State for Development of Warehousing Facilities, Container Yards, Port Logistics Facilities and Boat and Ship Industry and the Ministry of State for Development of Aviation and Export Zones have been abolished from the year 2022 and merged with this Ministry, since its Vision, Mission and Role of the institution expanded, it is observed during the audit that necessary amendments should be made to the existing Citizen/Client Charter.
- The State Ministry of Warehousing Facilities, Container Yards, Port Facilities and Boat and Ship Industry Development was abolished in the year 2022 and similarly, the Aviation Division of the then State Ministry of Aviation and Export Zone Development was merged with the Ministry of Ports and Shipping to form the Ministry of Ports, Shipping and Aviation as per the Special Gazette Notification No. 2289/43 of the Democratic Socialist Republic of Sri Lanka issued on 22.07.2022. In considering the past periods it is informed that , the Vision and Mission are maintained separately on the basis of the merger and abolition of other Divisions with this Ministry from time to time and, as its role has thus expanded, the necessary amendments will be made to the Citizen/Client Charter based on the change in that role as indicated by the audit query .
- Necessary amendments should be made to the Citizen/Employee Charter on expanding the role of the institution.

## 5. Human Resources Management

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>(a) The sanctioned staff was 97 as at 31 December of the year under review and thus the actual staff was 72, there were vacancies in 15 posts. Within that, there were vacancies in 03 senior level posts, 01 tertiary level post, 06 secondary level posts and 04 primary level posts and actions had not been taken to fill up those vacancies up to the date of report.</p>	<p>Request letters have been submitted to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government to fill these vacancies. Further, , letters were issued from time to time by informing about the vacancies for secondary level and primary level positions to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government.</p>	<p>An adequate staff should be maintained to carry out the work and tasks of the Ministry.</p>
<p>(b) The annual performance agreement prepared by the institution should be signed for all the staff working in the institution from the year 2018 to evaluate the performance of the staff as stated in 1 of the Circular No. 02/2018 dated 24 January 2018 issued by the Secretary, Ministry of Public Administration and Management on Human Resource Development in Public Sectors. Nevertheless, it was observed during the audit that the performance agreements for the years 2022 and 2023 had not been signed in the Ministry.</p>	<p>Because it was pointed out during the examination by the Audit Officers of the National Audit Office that the performance agreements for the years 2022 and 2023 have not been prepared, then the performance agreements of the employees of the Ministry's office staff service and driver service were signed for the year 2022 and it is kindly informed that the performance agreements of other officers are being prepared and the actions will be taken to complete by 15.09.2023. Since the performance agreements</p>	<p>Performance agreements should be signed for the entire staff for the respective years as per the Circular.</p>

related to the year 2023 should be prepared from 01.01.2023 to 31.12.2023, it is further informed that necessary steps will be taken to sign the performance agreements for the entire staff by the end of the year 2023 .