



Report of the Principal Auditor
on the Accounts of the
Gibraltar Port Authority
for the financial year ended
31 March 2016



REPORT OF THE PRINCIPAL AUDITOR ON THE ACCOUNTS OF
THE GIBRALTAR PORT AUTHORITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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THE CERTIFICATE OF THE PRINCIPAL AUDITOR TO PARLIAMENT ON THE ACCOUNTS OF THE GIBRALTAR PORT AUTHORITY

I certify that I have audited the financial statements of the Gibraltar Port Authority for the financial year ended 31 March 2016 in accordance with the provisions of Section 14(2) of the Gibraltar Port Authority Act 2005. These statements comprise the Receipts and Payments Account, the Capital Account, the Balance Sheet and the related notes. These financial statements have been prepared using the cash receipts and disbursements basis of accounting.

Respective responsibilities of the Gibraltar Port Authority and the Principal Auditor

The Gibraltar Port Authority is responsible for the preparation of the financial statements and for being satisfied that they are properly presented. The Gibraltar Port Authority's policy is to prepare the financial statements on the cash receipts and disbursements basis. On this basis revenue is recognised when received rather than when earned, and expenses are recognised when paid rather than when incurred.

My responsibility is to audit, certify and report on the financial statements in accordance with the provisions of section 14(2) and 14(3) of the Gibraltar Port Authority Act 2005. I conducted my audit of the financial statements in accordance with generally accepted government auditing standards.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Gibraltar Port Authority's circumstances and have been consistently applied and adequately disclosed; and the overall presentation of the financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion, the financial statements properly present the revenue collected and expenses paid by the Gibraltar Port Authority during the financial year ended 31 March 2016 and the assets and liabilities arising from cash transactions as at the end of that period in accordance with the cash receipts and disbursements basis of accounting.

Matters for which I report by exception

I have nothing to report in respect of the following matters, which I report to you if, in my opinion:

- I have not received all of the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit; or
- proper books of account have not been kept by the Gibraltar Port Authority, so far as appears from my examination of those books; or
- the financial statements are not in agreement with the accounting records.

Nevertheless, I have to report that during the financial year 2015-16, the Gibraltar Port Authority did not fully discharge its financial duties and obligations in accordance with the provisions of the Gibraltar Port Authority Act 2005. Tonnage Dues charged during the financial year was not in accordance with Schedule 4 of the Port Rules, instead a flat daily fee of £100 was charged by the then Chief Executive and Captain of the Port. As a consequence, a total of £ 129,234 was undercharged in Government revenue during the financial year. Further details are included in my report on the accounts of the Gibraltar Port Authority for the financial year ended 31 March 2016 on page 3.

Report

The observations on the financial statements are detailed in my Report.



A R Sacramento
Principal Auditor
Gibraltar Audit Office

21 January 2022

**GIBRALTAR PORT AUTHORITY
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

REPORT

Matters for which I Report by Exception

1.1 Tonnage Dues - An examination of the revenue received in respect of Tonnage Dues revealed that the Gibraltar Port Authority ("GPA") did not charge Tonnage Dues in compliance with Schedule 4 of the Port Rules during the period August 2015 to January 2018. The then Captain of the Port and Chief Executive granted, on request by Port clients, a flat rate daily fee of £100 to vessels anchoring at the Eastern Anchorage without there being any legal provision under the Port Rules to award such a discounted fee. As a consequence, a total of £129,234 was undercharged in Government revenue during the financial year ended 31 March 2016.

1.2 Although the decision taken by the Captain of the Port to reduce Tonnage Dues in the Eastern Anchorage was to incentivise anchorage activity, which in turn, it was thought, would generate greater economic activity in other sectors within Gibraltar –and undoubtedly the move by the Captain was done in the best economic interests of Gibraltar– the fact is that the Captain acted outside the provisions of the law, as the Port Rules do not provide for the reduced fee rate awarded, nor has the legislation been amended to reflect this.

1.3 As a consequence of the discounted rate awarded, a total of £917,697 was undercharged in Government revenue during the period that the pilot scheme was ran from August 2015 to January 2018. The total sum undercharged in Tonnage Dues, broken down by financial years, is as follows:

Financial Year	Tonnage Dues Undercharged
2015-16	£129,234
2016-17	£404,024
2017-18	£384,439
Total	£917,697

1.4 I am gravely concerned at the loss of Government revenue resulting from the action taken by the then Captain of the Port, particularly because the pilot scheme, although well-intentioned, was ran over a protracted period of 30 months without there being any performance indicators or feedback from the shipping agents to show that the initiative had generated additional economic activity in other sectors. This was confirmed by a Port Circular issued by the Captain of the Port to shipping agents on 3 April 2017, where he informs them that no information had been forthcoming from the shipping agents who had benefitted from the initiative. The discounted flat rate scheme ceased immediately after the Captain of the Port and Chief Executive's

successor was appointed Captain of the Port in January 2018, as he had always advised against this initiative in his capacity as Deputy Captain of the Port.

Variance Report

2.1 Recurrent Account - Receipts: Total port receipts for the financial year 2015-16, amounting to £4,418,046, fell short against the approved budget of £5,056,000 by £637,954 and by £394,817 compared against the previous year's total collections amounting to £4,812,863.

2.2 The Finance Manager of the GPA explained that the 2015-16 budget submission for port receipts was calculated on the basis of the actual revenue figures for 2014-15. However, the estimates did not take into account the impact the decision to reduce the Tonnage Due tariff to £100 per day for vessels visiting the Eastern Anchorage would have on revenue. As previously mentioned, the reduced tariff, which was introduced in the second quarter of the financial year, resulted in a loss of Tonnage Dues revenue of £0.13m over the year. Although when compared to the same period in the previous financial year there had been an increase of 17% in the number of vessels who had visited the Eastern Anchorage from August 2015 to March 2016, the increase was not high enough to absorb the reduction in tariff. Another contributing factor for the decrease in revenue was attributed to the overall reduction in the number of vessels visiting the port and the significant drop in long-term arrested vessels. Conversely, there was an increase of 15.7% in cruise visits which generated an increase in Port Arrival and Departure Tax revenue of £0.22m when compared to the previous financial year. However, a rebate payment to a shipping agent amounting to £0.11m, that was due to be paid at the end of the financial year, was paid at the beginning of the following year. In addition, there was an increase in Port Operator and Harbour Craft Licences receipts between the approved budget and actual revenue amounting to £0.05m. This was mainly as a result of revenue generated from the increase of Small Boat Licences brought about by the augmentation of vessels following the development of the New Harbours Small Boats Marina and the revenue generated in respect of expired licences.

2.3 The Government of Gibraltar's recurrent contribution from revenues received to the GPA during the financial year 2015-16 amounted to £4,418,046. The Government made an additional contribution amounting to £864,000 to provide for total expenditure of £5,282,008 incurred during the financial year. The GPA's operating shortfall was thus £863,962.

3.1 Recurrent Account - Payments: The GPA's recurrent expenditure during the financial year 2015-16, amounting to £5,282,008 reflected a decrease of £3,008, compared to the approved budget of £5,279,000 and a year-on-year decrease of £214,686, against the previous financial year's expenditure of £5,496,694. The Finance Manager provided me with the following explanations on the main variances

between the recurrent expenditure and the approved budget for the financial year:

- 3.2 Salaries** - There was a saving in Salaries amounting to £54,776, compared against the approved budget sum of £2,078,000, largely as a result of a number of unfilled vacant posts, retirements, one resignation and an abolished post.
- 3.3 Overtime** - Conversely, the aforementioned unfilled vacant posts had an adverse knock-on effect on the overtime expenditure, as these posts were covered by employees doing overtime. As a result, there was an excess of £79,573 in overtime expenditure against the approved budget of £668,000.
- 3.4 Oil Pollution Expenses** - There was a saving of £18,645 in Oil Pollution Expenses compared to the approved estimate of £70,000. This was largely the consequence of having increased the budget by £20,000 in anticipation of there being an increase in pollution containment and clean-up costs during the year.
- 3.5 Advertising, Marketing and Travel** - Total expenditure amounting to £165,687 exceeded the approved estimate of £100,000 by £65,687, as a result of costs relating to an advertising and public relations campaign that had not been budgeted for as the GPA had not known of the advertising campaign when the estimates were prepared.
- 4.1 Capital Account - Payments:** Capital expenditure during the financial year 2015-16 totalled £151,196, compared to an approved estimate of £163,000. The reason provided for the shortfall of £11,804 was that the original projects that were planned for in the budget submission for the year, did not go ahead.



A R Sacramento
Principal Auditor
Gibraltar Audit Office

21 January 2022

GIBRALTAR PORT AUTHORITY**RECEIPTS AND PAYMENTS ACCOUNT**
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	£	£	£	<u>2015</u> <u>£</u>
<u>RECURRENT ACCOUNT</u>					
<u>RECEIPTS</u>					
Contribution by the Government of Gibraltar from Revenues Received	2			4,418,046	4,812,863
Contribution by the Government of Gibraltar				864,000	684,000
				<u>5,282,046</u>	<u>5,496,863</u>
<u>PAYMENTS</u>					
<u>Personal Emoluments:</u>					
Salaries		2,023,224			2,058,655
Gratuities		12,975			12,653
Overtime		747,573			754,888
Allowances		203,915			198,478
Temporary Assistance		-			27,702
			2,987,687		<u>3,052,376</u>
<u>Employer's Contributions:</u>					
Social Insurance		91,887			92,690
Pension		<u>106,871</u>			<u>86,250</u>
			198,758		<u>178,940</u>
<u>Office Expenses:</u>					
General Expenses		7,018			7,173
Electricity and Water		33,884			25,833
Telephone Service		37,914			34,054
Printing and Stationery		12,918			14,663
Legal Fees		<u>23,601</u>			-
			115,335		<u>81,723</u>
<u>Operational Services:</u>					
Transport Expenses		8,693			2,997
Maintenance of Port Installations and Equipment	3	315,019			344,786
Protective Clothing and Uniforms		16,395			20,509
Training		83,374			83,690
Inspections		11,584			4,364
Oil Pollution Expenses		51,355			60,672
Publications		<u>6,138</u>			<u>5,042</u>
			492,558		<u>522,060</u>
<u>Contracted Services:</u>					
Oil Pollution		114,586			107,100
Port Security		345,930			324,384
Cleaning Services		18,843			14,614
Waste Discharge		545,106			501,349
Weather Transmission Reports		<u>9,125</u>			<u>9,125</u>
			1,033,590		<u>956,572</u>
Carried Forward			<u>4,827,928</u>		<u>4,791,671</u>

GIBRALTAR PORT AUTHORITY**RECEIPTS AND PAYMENTS ACCOUNT**
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	£	£	£	<u>2015</u> £
Brought Forward			4,827,928		4,791,671
<u>PAYMENTS (cont.)</u>					
Advertising, Marketing and Travel	4	165,687			294,184
Contribution to Med Mission to Seamen		10,000			10,000
Vessel Tracking System Finance Repayment	5	772			124,531
Vessel Tracking System - Maintenance		48,466			42,128
Low sulphur - Fuel Oil Analysis		22,902			2,487
Insurance		108,055			127,916
Port Incidents and Associated Expenses		4,685			15,145
Contribution to Seaman's Welfare Fund		10,000			10,000
Maintenance of Beach Marker Buoys		69,185			58,861
Relief Cover		14,328			4,404
Contract Relocation Expenses		-			15,367
			454,080		705,023
				(5,282,008)	(5,496,694)
Net Receipts				38	169

CAPITAL ACCOUNT**RECEIPTS**

Contribution by the Government of Gibraltar		152,000	153,000
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PAYMENTS

Works and Equipment	6	(151,196)	(153,627)
Net Receipts/(Payments)		804	(627)

GIBRALTAR PORT AUTHORITY

BALANCE SHEET AS AT 31 MARCH 2016

	£	£	<u>2015</u> £
<u>ASSETS</u>			
Recurrent Account			
Amount held by the Government of Gibraltar		31,123	31,085
Capital Account			
Amount due to the Government of Gibraltar		(29,718)	(30,522)
		<u>1,405</u>	<u>563</u>

FINANCED BY

Recurrent Account

Account Balance on 1 April 2015	31,085		30,916
Net receipts during the year	<u>38</u>		<u>169</u>
Account Balance on 31 March 2016		31,123	31,085

Capital Account

Account Balance on 1 April 2015	(30,522)		(29,895)
Net Receipts/(Payments) during the year	<u>804</u>		<u>(627)</u>
Account Balance on 31 March 2016		(29,718)	(30,522)
General Fund Balance on 31 March 2016		<u>1,405</u>	<u>563</u>



Mr J Ghio
Chief Executive Officer and Captain of the Port

Date: 19th January 2022

GIBRALTAR PORT AUTHORITY

Notes to the Accounts for the Year Ended 31 March 2016

1) **Accounting Policies:**

The financial statements of the Gibraltar Port Authority are prepared on a cash receipts and disbursements basis of accounting, in line with the standards prescribed for the preparation of the public accounts of Gibraltar.

- 2) In accordance with the provisions of the Public Finance (Control and Audit) (Amendment) Act 2011 the recurrent revenues of the Gibraltar Port Authority are paid into, and thus constitute the revenue of, the Gibraltar Government Consolidated Fund.

	£	<u>2015</u> £
<u>Receipts for the year:</u>		
Tonnage Dues	2,516,536	3,005,882
Bunkering Charges	566,896	658,728
Berthing Charges	491,308	582,679
Port Arrival and Departure Tax	350,808	132,242
Port Operator and Harbour Craft Licences	255,919	208,139
Miscellaneous Receipts	229,748	217,853
Small Boat Moorings	6,831	7,340
	<u>4,418,046</u>	<u>4,812,863</u>

3) **Maintenance of Port Installations and Equipment:**

Upkeep and Maintenance of Port Installations	151,635	113,431
Maintenance of Launches	67,545	110,253
Internet Services	44,902	36,000
Computer Maintenance	32,455	14,244
Port Launches' Fuel	13,091	41,658
Maintenance of Equipment	5,391	29,200
	<u>315,019</u>	<u>344,786</u>

4) **Advertising, Marketing & Travel:**

Advertising	71,082	91,499
Travel Expenses	46,557	50,955
Contingencies	21,608	4,666
Website Expenditure	16,240	97,643
Conference Fees	5,463	47,100
Membership Fees	4,737	2,150
General Expenses	-	171
	<u>165,687</u>	<u>294,184</u>

- 5) A loan of £630,000 was obtained in the financial year 2009-2010 from Lombard North Central Plc in order to finance a vessel tracking system, to be paid in 60 monthly installments of £11,321 (this figure comprised of capital repayment and 3% interest). The loan repayment was agreed on a variable rate basis with interest being calculated at the end of the month. A residual amount of £772 was outstanding at the end of the term as the repayment plan was based on fixed payment amounts.

GIBRALTAR PORT AUTHORITY

Notes to the accounts for the Year Ended 31 March 2016 (Cont'd)

	£	<u>2015</u> £
6) <u>Capital Expenditure for the year:</u>		
Motor Vessels Engine Overhauls	59,971	-
Security Infrastructure	25,605	-
Buoys and Equipment	25,310	20,852
Upgrade of telephone System	14,388	-
Detached Mole Equipment	5,640	6,107
I.T. Infrastructure	7,475	43,194
Safety Equipment	4,939	-
Purchase of Computers	4,405	1,115
Motor Vehicle	2,195	-
Office Furniture	755	4,291
Building Works	513	39,319
Purchase of Crane	-	35,511
Statue for North Mole	-	2,410
Messroom Equipment	-	828
	<u>151,196</u>	<u>153,627</u>