

Auditor General's Report on the Accounts of the Ministry of Fisheries and Aquatic Resources and the Department under the Ministry – 2010.

This report comprises two Parts.

Part 1 - Summary Report on the Accounts of the Ministry and the Departments under the Ministry

Part 2 - Detailed Report on each Appropriation Head

Part I

Summary report on the Accounts of the Ministry of Fisheries and Aquatic Resources Development the Department under the Ministry

1. Department under the Ministry

Head of Expenditure

290

Name of Department

Department of Fisheries and Aquatic Resources Development

2. Annual Action Plan

The Ministry and the Department under the Ministry had prepared the Annual Action Plans at the beginning of the year of accounts.

3. Accounts

3:1 Appropriation Accounts

(a) Presentation of Accounts

Appropriation Account of the Department under the Ministry had been presented to audit by 31 March 2011. The following account had not been presented to audit.

Ministry	Appropriation Head	Date of Presentation
Ministry of Fisheries and Aquatic Resources and Development	139	04 April 2011

(b) Total Provision and Expenditure

The total net provision made for the Ministry and the Department under the Ministry amounted to Rs. 6,600,896,130 and out of that a sum of Rs.5,296,325,414 had been utilized by the end of the year under review. Therefore, the net savings of the Ministry and the Department ranged between Rs.1,303,365,149 and Rs. 1,205,567 or 19.74 per cent and 0.02 per cent respectively of the total net provision. Details appear below.

Appropriation Head	Ministry/ Department	Net Provision		Utilization		Savings	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
139	Ministry of Fisheries and Aquatic Resources Development	535,649,800	5,811,191,330	528,865,844	4,514,610,137	6,783,956	1,296,581,193
836	Department of Fisheries and Aquatic Resources Development	216,330,000	37,725,000	215,838,776	37,010,657	491,224	714,343
	Total	751,979,800	5,848,916,330	744,704,620	4,551,620,794	7,275,180	1,297,295,536

(c) Utilisation of Provisions made available to other Ministries and Departments

Provisions totalling Rs.2,884,334 as shown below had been made available to other Ministries/ Departments for various purposes and the particulars of utilization thereof are given below.

Ministry / Department with Provisions	Provided Provisions given Rs.	Actual Expenditure Rs.	Balance as at 31 December 2010 Rs.
Ministry of Lands and Land Development	1,057,500	1,057,500	--
Department of Pensions	878,884	878,884	--
Department of Coast Conservation	400,000	400,000	--
Department of Coast Conservation	350,000	220,032	129,968
Department of Coast Conservation	197,950	197,950	--
Total	2,884,334	2,754,366	129,968

3.2 Revenue Accounts

(a) Presentation of Accounts

The number of Revenue Accounts that should have been prepared by the Department under the Ministry in respect of one Revenue Code for the year 2010 stood at one. That Revenue Account had been presented to audit by 31 March 2011.

(b) Estimated and Actual Revenue

Revenue amounting to Rs.16 million had been estimated under 01 Revenue Code for the year 2010 by the Department under the Ministry, while revenue amounting to Rs.17.16 million had been collected. Therefore, revenue amounting to 107.2 per cent of the revenue had been collected. Details appear below.

Revenue Officer	Accounting	Revenue Code	Estimated	Actual	Excess Collection	Percentage
			Rs.	Rs.	Rs.	%
Director Fisheries and Resources Development	General of Aquatic	10-03-07-06	16,000,000	17,164,508	1,164,508	7.2

3:3 Advance Accounts

3:3:1 Advances to Public Officers Account

(a) Presentation of Accounts

Two Advances to Public Officers Accounts that should be prepared for the year under review by the Ministry the Department under the Ministry had been presented to audit by 29 March 2011 and 05 April 2011.

(b) Compliance with Limits

The Ministry and the Department under the Ministry had complied with the limits on the Advance to Public Officers Accounts authorized by the Parliament.

3:4 Imprest and General Deposit Accounts

3:4:1 Imprest Accounts

The credit balances of the Imprest Accounts of the Ministry and the Department under the Ministry less than 01 year old as at 31 December 2011 amounted to Rs.45,133,795. Details appear below.

Ministry / Department	Balance as at 31 December 2010
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Ministry of Fisheries and Aquatic Resources Development	Rs. 44,952,922
Department of Fisheries and Aquatic Resources Development	180,873

3:4:2 General Deposit Accounts

The balances of the General Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2010 totalled Rs. 8,872,885 and an age analysis thereon is given below.

Ministry / Department	Account Number	<u>Age Analysis</u>			Balance as at 31 December 2010
		Less than 01 year	Over 01 years less than 02 years	Over 02 years less than 05 years	
		Rs.	Rs.	Rs.	Rs.
Ministry of Fisheries and Aquatic Resources Development	6000/0/0/15/5/1-1	2,161,711	4,062,264	--	6,223,975
	6000/0/3/57/0-1	--	--	2,123,900	2,123,900
Department of Fisheries and Aquatic Resources Development	6000/0/0/6/73	525,010	--	--	525,010

Part II

Detailed Report relating to each Appropriation Head

1:1 Appropriation Head 139 Ministry of Fisheries and Aquatic Resources Development

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Fisheries and Aquatic Resources Development. for the year ended 31 December 2010 was carried out in pursuance of provisions of 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 16 December 2011. 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 and the 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 of 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 Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1:3 Audit Observations on the Accounts and Reconciliation Statements

According to the Financial Records and Books for the year ended 31 December 2010, it was observed that except for the effects of the general observations appearing at (a) to (d) and other major observations appearing in paragraphs 1:4 to 1:10 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Fisheries and Aquatic Resources Development had been prepared satisfactorily.

(a) Presentation of Accounts

- (i) It was observed during audit test checks that the Ministry had not maintained the following registers in the proper and updated manner.

Type of Register	Relevant Regulation	Observations
Register of Damage	Financial Regulation 110	No records whatsoever had been made in the Register of Damage maintained by the Ministry.
Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978	Not properly balanced annually while the disposals had not been recorded.

- (ii) A reconciliation of the expenditure and the balance appearing in the Appropriation Account with the expenditure and the balance appearing in the Treasury Computer printouts revealed understatements of expenditure amounting to Rs.572,082,827 under 11 Objects. The provisions transferred by the Treasury to the Deposit Account had been debited to the respective Objects and as such the expenditure appearing in the Treasury

Computer printouts had been more than the expenditure appearing in the Appropriation Account.

(b) Budgetary Variance

- (i) According to the Appropriation Account of Head 139, the entire net provision of Rs.212,760,000 made under 10 Objects had been saved.
- (ii) Excess provisions had been made under the 14 Objects and as such the savings thereunder after the utilization of provision ranged between 25 per cent and 99 per cent of the net provision.

(c) Imprest Account

- (i) The imprest balances of the Ministry that remained without being settled by 30 April 2011 totalled Rs.44,952,923 and those balances related to the year 2010.
- (ii) The unsettled imprest balance included outstanding advances granted by the Ministry amounting to Rs.10,662,243 and an unsettled amount of Rs.23,432,038 made available to the Tsunami Affected Areas Reconstruction Project.

(d) Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account Item No. 13901 as at 31 December 2010, the balances that remained outstanding as at that date totalled Rs.946,221 and the follow up action on the recovery of those outstanding balances had been at a weak level.

1:4 Assets Management

(a) Idle and Underutilised Assets

It was observed during audit test checks that certain assets remained either idle or underutilized as analysis below.

	Category of Assets	Number of Units	Idle or Underutilised Period
(i)	Motor Vehicles	02	02 years
(ii)	Machinery	39	--

(b) Assets given to External Parties

Instances of release of certain assets irregularly to external parties by the Ministry were observed. Details appear below.

Category of Assets	Number of Units of Assets	Assets Supplied to	Period
Motor Vehicles	03	Chief Secretary North Western Province	--
	10	Ceylon Fisheries Corporation	02 years
	03	CEYNOR Foundation	--
	02	Department of Fisheries and Aquatic Resources Development	--

(c) Irregular use of Assets of Other Institutions

Audit test checks revealed that the Ministry had been using 03 motor vehicles belonging to the Ministry of Economic Development without the formal approval over a period of 02 years.

(d) Unsettled Liabilities

The unsettled liabilities of the Ministry less than 01 year old as at 31 December 2010 amounted to Rs.7,900,197.

1:6 Non-compliances

Non-compliance with Laws, Rules, Regulations, etc.

Instances of non-compliance with the provisions of laws, rules and regulations observed during the course of audit are analysed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
(a) Establishments Code	Rs.	
Chapter xxiv Sections 4.1 and 4.2	225,769	Arrangements had not been made for the recovery of loans of the officers due for retirement.
(b) Financial Regulations		

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- (i) Financial Regulation 104 -- The preliminary reports and the final reports on accidents to motor vehicles had not been prepared.
- (ii) Financial Regulation 1645 -- Arrangements had not been made to maintain the records on Form General 267 in respect of all motor vehicles.
- (c) Provision of other Circulars
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- (i) Circulars of the Presidential Secretariat
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- No. CSA/P1/40 of 04 January 2006 -- According to the circular, a Minister and his staff are entitled to 02 motor vehicles and 05 motor vehicles respectively while a Deputy Minister and his staff are entitled to 02 motor vehicles and 03 motor vehicles respectively. Nevertheless, the Minister and his staff had had used 07 motor vehicles and 09 motor vehicles respectively while the Deputy Minister and his staff had used 04 motor vehicles and 03 motor vehicles respectively. Thus 11 motor vehicles had been used contrary to the provisions of the circular.
- (ii) National Budget Circulars
-
- Circular No. 118 of 11 October 2011 153,526 Action had not been taken over a period exceeding 25 years for the recovery of loans due from 14 officers transferred out.

1:6 Losses and Damage

The following instances of losses and damage were observed during audit test checks.

Even though a the statement of losses less or more than Rs.25,000 under the Programmes 1 and 2 had been made in the Statement of Losses in the Appropriation Account, damage amounting to Rs.115,401 had been caused to 05 motor vehicles in the year 2010.

1:7 Operating Inefficiencies

A summary of the operating inefficiencies observed during audit test checks is given below.

- (a) A Revolving Loan Scheme had been implemented as a Project for the Income Generation of the Fisheries Community under the provision for Fisheries Co-operative Training Programme and provision amounting to Rs.4,500,00 had been made available in the year under review. It was observed that 06 District Co-operative Societies had retained a sum of Rs.1,862,590 without being revolved.

- (b) An agreement had been entered into on 07 December 1997 with a contractor company for the development of the Fisheries Harbours at Hikkaduwa and Panadura under the Fisheries Sector Development Project. According to the agreement, payment should have been made by deducting 8 per cent as Business Turnover Tax but payment had been made by deducting 12.5 per cent as the Goods and Services Tax. According to the judgement on a case filed by the company in this connection, sums of Rs.4,783,457 and Rs.10,315,440 in connection with the Hikkaduwa and Panadura, Harbour respectively had to be paid together with 9.25 per cent interest. In that connection, interest amounting to Rs.11,159,159 had been computed for 08 years. Thus a sum of Rs.26,258,032 had been paid in accordance with judgement of the case.

1:8 Management Weaknesses

The following weaknesses were observed.

A sluggishness was shown by the authorities in the implementation of the recommendations made by the Committee on Public accounts after the examination of the paragraphs relating to the Ministry included in the Reports of the Auditor General.

Reference to the Report of the Auditor General	Item under Reference	Date of Meeting of the Committee on Public Accounts	Directive of the Committee
Year	Paragraph Number		
2007	05	06 October 2010	To submit a detailed report on the rejection of payment on the Reimbursement Application for Rs.73 million within 02 weeks.
	08	06 October 2010	To report on the steps taken for the recovery of the allocations made for the Jaffna District under the Aid for the Construction of Multi – day and one- day Vessels under the Netherlands Aid returned to the donor and the replies received in response thereto.
	09	- do -	To inform the Auditor General on the changes made to agreement on the Dikovita Harbour and the consensus reached thereon.
	11	- do -	To submit a report on the abandoning of the construction of the Galle South Beach Park after incurring expenditure on a feasibility study.
2008	14	- do -	To make enquiries from the

Treasury on the possibility of write off of loans that cannot be recovered from officers.

18	Register of Losses	- do	Recording of losses amounting to Rs.503,355 and to report on the current status.
20	United Nations Human Habitats Programme	- do -	To submit of a report after the completion of the activities assigned to the United Nations Human Habitats Programme.

(b) The following weaknesses were observed during audit test checks.

- (i) Out of the provision made in the year under review for the purchase of 02 mother vessels a sum of Rs.135,805,870 or 98 per cent had been shown as savings. A provision of Rs.300,000,000 had been made in the year 2007 on a decision made for the purchase of these mother vessels and a sum of Rs.65,203,200 had been paid to the contractor as the mobilization advance and Rs.1,054,860 had been paid as the letter of credit charges. Out of the provision of Rs.42,200,000 made in the year 2008 a sum of Rs.42,185,000 had been transferred to the General Deposit Account. A provision of Rs.450,000 had been made in the year 2009. Out of the provision of Rs.138,000,000 made in the year 2010, a sum of Rs.2,181,630 had been paid for the extension of the Letter of Credit. According to the agreement entered into on 26 June 2007 for the purchase of 02 mother vessels, the contractor should have constructed and delivered the vessels within 280 days from the payment of the advance. Nevertheless, the Ministry had not obtained the mother vessels even up to the end of December 2010.
- (ii) Six medium scale houses and 18 cluster houses comprising 14 and 04 cluster houses had been constructed and handed over to the families displaced by the construction of the Dikovita Harbour. An additional expenditure of Rs.4,814,621 had to be incurred on improvements carried out to the cracks developed in the centre sections of the cluster houses,

payment of rent to the occupants of those houses and inspection fees due to the negligence of the senior management of the Ministry.

- (iii) The contract for the construction of the houses for those displaced by the construction of the Dikovita Harbour had been awarded to a private company for a sum of Rs.31,398,691 and the contract cost had increased by Rs.32,956,834 subsequently due to revision of the plans thus increasing the contract cost to Rs.64,355,525. This represented 110 per cent increase on the original cost. In this connection, the variance exceeding 10 per cent had not been approved by the Technical Evaluation Committee and the Procurement Committee by giving acceptable reasons in terms of Section 13.4 of the Procurement Manual.
- (iv) A excessive cost incurred on filling the land on which the houses for those displaced by the construction of Dikovita Harbour to reduce the water retention area from 52 perches to 16.2 perches was observed.

	Quantity	Unit Cost	Total Cost
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		Rs.	Rs.
Filling the land excluding 52 perches according to the Engineering Estimate	985 m ³	960	945,600
Filling of the balance area excluding 16.2 perches	14,225.85 m ³	1,500	21,338,775

The filling of 134 perches with 985 cubic metres of earth had been done in accordance with an Engineering Estimate and an additional 13,240.85 cubic metres had been used for filling of the additional 36 perches while the unit cost had increased from Rs.960 to Rs.1,500.

1.9 Human Resources Management

(a) Approved Cadre and Vacancies

The position of the cadre as at 31 December 2010 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	20	13	07	01
(ii) Tertiary Level	07	05	02	--
(iii) Secondary Level	81	69	12	--
(iv) Primary Level	53	51	02	--
(v) Others (Casual)	--	03	--	--
Total	161	141	23	01

(b) Human Resources irregularly released by the Ministry are given below.

Category of Employees	Cadre	Other Party	Period of Release
(i) Secondary Level	02	* Staff of the Ministry of Finance and Planning	From 12 December 2005 onwards.
		* International Fund for Agricultural Development Fund Project	From 01 June 2007 to 31 May 2012
(ii) Primary Level	02	* Department of Coast Conservation	From 07 July 2007 to 07 July 2010

* Department of Fisheries and Aquatic Resources Development From 08 July 2010 onwards

* International Fund for Agricultural Development Project From 01 January 2007 onwards

(c) Human Resources irregularly obtained from other Parties

Matters revealed relating to human resources irregularly obtained by the Ministry are given below.

Number of Human Resources	Obtained from	Period
Secondary Level 01	Ceylon Fishery Harbours Corporation	07 April 2005 onwards

1:10 Internal Control

Implementation of the Audit and Management Committee

Contrary to the provisions of the Public Finance Circular No. PF/PE/07 of 15 March 2007 and Ministry of Finance Circular No. 1A1/2001/1 of 15 January 2001, the Ministry of Fisheries and Aquatic Resources Development had held only one meeting of the Audit and Management Committee in the year 2010.

2. Appropriation Head 290 - Department of Fisheries and Aquatic Resources Development

The audit of the Appropriation Account and the Revenue Account including the financial records reconciliation statements, books, registers and other records of the Department of Fisheries and Aquatic Resources Development for the year ended 31 December 2010 was carried out in pursuance of provisions of 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 Director General of the Department on 29 November 2011. The audit observations, comments and findings on the accounts and the reconciliation statement were based on a review of the accounts and the reconciliation statement 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 and audit coverage as possible within the limitations of staff, other resources and time available to me.

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

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The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and the fair presentation of the Appropriation Account and the Revenue Account and the Reconciliation Statement in accordance with the provisions of 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 Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2.3 Audit Observation on the Accounts and Reconciliation Statements

According to the Financial Records and Books for the year ended 31 December 2010, it was observed that except for the effect of the general observations appearing at (a) to (c) and other major observations appearing in paragraphs 2.4 to 2.10 herein the Appropriation Account, the Revenue Account and the Reconciliation Statement of the Department of Fisheries and Aquatic Resources Development had been prepared satisfactorily.

(a) Maintenance of Registers and Books

It was observed during the audit test checks that the Department of Fisheries and Aquatic Resources Development had not maintained following registers and certain regulations had not been maintained in proper and updated manner.

Category of Registers	Relevant Regulation	Observation
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Register of Fixed Assets Treasury Circular No.842 of 19 December 1978 Register of Fixed Assets had not been updated annually while the disposals had not been recorded.

Register of Damage and Losses Financial Regulation 110 (i) Action in terms of Financial Regulation 104 had not been taken for the recovery of a sum of Rs.1,557,001 relating to 20 incidents included in the Statement of Losses.

(ii) Losses amounting to Rs.558,681 relating to 03 incidents included in the Appropriation Account had not been recorded in the register.

Register of Accidents Financial Regulation 104 Accidents had not been recorded in the Register of Accidents while inquiries had not been conducted on the accidents.

(b) Revenue Account

(i) A reconciliation of the Register of Revenue Collections with the Monthly Summary of Accounts revealed that the Revenue of 04 months had been understated in the Monthly Summary of Accounts by a sum of Rs.1,103,935 while the revenue of 08 months had been overstated by a sum of Rs.812,476.

(ii) The estimates had not been prepared in a manner to enable the separate identification of revenue.

(c) Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account Item No.29001 as at 31 December 2010, the balances that remained outstanding as at that date totalled Rs.683,557 and the followup action on the recovery of those outstanding balances had been at a weak level.

2.4 Assets Management

 Unsettled Liabilities

The unsettled liabilities of the Department, less than 01 year old as at 31 December 2010 amounted to Rs.3,186,132.

2.5 Non-compliance

Non-compliances with Laws, Rules, Regulations, etc.

An instances of non-compliance with laws, rules and regulations etc. observed during audit test checks is given below.

Reference to Laws, Rules, Regulations, etc. -----	Non-compliance -----
<u>Financial Regulations</u> Financial Regulations 1645	Log Books had not been maintained for 32 motor vehicles.

2.6 Performance

The observations on the progress of the Department according to the Action Plan for the year 2010 are given below.

(a) Planning and Performance

- (i) The following differences as at the end of the year 2010 were observed according to the Action Plan and the Progress Reports prepared by the Department.

Category of License Fee Revenue -----	2010 Annual Target -----	2010 Annual Progress -----	Difference -----
Issue of Fresh Water Operating Licences	3,300	1,918	(1,382)

Registration of new Fishing Craft	500	3,292	2,792
Annual Renewal of Registrations	40,000	20,984	(19,016)
Issue of Operating Licences	42,200	31,566	(10,634)

- (ii) According to the Action Plan for the year 2010, the expected first registration of new fishing craft during the year had been 500. Nevertheless, according to the Schedules of Registration of the District Fisheries Offices and the Performance Report, the number of first registration of fishing craft stood at 3,292. Thus it was observed that the Action Plan had not been prepared by paying proper attention.

2.7 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment

A sum of Rs.1,804,186 had been shown as unidentified receipts in the Bank Reconciliation Statement prepared for December 2010.

2.8 Operating Inefficiencies

A summary of operating inefficiencies observed during test checks is given below.

- (i) A motor vehicle included in the Statement of Losses of the Appropriation Account had been sold by auction without conducting inquiries on the loss in terms of Financial Regulation 104.
- (ii) The Department had purchased 1,000 sets of nets at a cost of Rs.1,350,000 on 01 April 2010 for the supply of sets of nets to the Fresh Water Fisheries Societies without deciding the required number of sets of nets by identifying the suitable beneficiaries engaged in that industry and preparing the Priority Registers. Even though the Fresh Water Fisheries Industry is in operation in several districts in the interior of the country, it had been decided to distribute those only to the Hambantota District and 580 sets of nets remained without being distributed even by March 2011.

2.9 Human Resources Management

Approved Cadre and Vacancies

The position of the Cadre as at 31 December 2010 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	05	01	04
(II)	Tertiary Level	66	43	23
(III)	Secondary Level	473	413	60
(IV)	Primary Level	99	97	02
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	Total	643	554	89
		===	===	===

2.10 Internal Control

Implementation of the Audit and Management Committee

Contrary to the provisions of the Public Finance Circular No. PF/PE/07 of 15 March 2000 and the Ministry of Finance Circular No.IAI/2001/01 of 15 January 2001, the Department of Fisheries and Aquatic Resources Development had held only one meeting of the Audit and Management Committee.