

## **National Aquatic Resources Research and Development Agency – 2011**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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In my opinion,except for the effects of the matters described in paragraph 1.2 of this report ,the financial statements give a true and fair view of the financial position of the National Aquatic Resources Research and Development Agency as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **1.2 Comments on Financial Statements**

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##### **1.2.1 Accounting Policies**

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The following matters were observed.

- (a) In the deffermentation of income of the year under review relating to foreign assets grants, a sum of Rs.256,532 had been over transferred to the revenue account.
- (b) A deferred revenue of Rs.115,017 to be transferred to the revenue of the year under review had been shown as non- current liabilities instead of being transferred to the revenue account.

##### **1.2.2 Accounts Receivable and Payable**

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The following matters were observed.

- (a) According to the debtors age analysis presented , the outstanding debtor balances as at 31 December 2011 amounted to Rs.40,314,143 out of which the value of balances remained unrecovered for more than 02 years amounted to Rs.1,988,507.

- (b) Action had not been taken to recover a sum of Rs.89,542 paid erroneously as salaries, allowances and distress loan to an officer who had been dismissed from service during the year under review.
- (c) According to the age analysis of creditors presented as at 31 December 2011, the payable balances amounted to Rs.15,682,943 and of which the balances of Rs.4,077,122 remained unsettled for the period of more than 4 years which represented 26% of the total creditors.

### **1.2.3 Non – compliance with Laws, Rules, Regulations and Management Decisions**

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The following non- compliances were observed.

Reference to Laws, Rules, Regulations etc.

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Non – compliance

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| (a) Section 11 (b) of the Finance Act No.38 of 1971         | A sum of Rs.91,112,747 had been invested in fixed deposits without the approval of the Board of Directors, the Minister in charge of the subject, with the concurrent of the Minister of Finance. |
| (b) Treasury Circular No.842 dated 19 December 1978         | The register of fixed assets in respect of the value of Rs.1,106 million had not been updated.  |
| (c) Treasury Circular No.IA1/2002/02 dated 28 November 2002 | The register for computers and computer accessories valued at Rs.7,644,249 had not been updated.  |

#### 1.2.4 Transactions of Contentions Nature

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Despite the foreign sponsored organization had informed in writing that they would meet all expenditure of the tour, the Agency had spent a sum of Rs.111,970 to the Chairman for that foreign tour. The Chairman replied that this amount had been paid on the verbal instruction of the Secretary to the Ministry.

### 2. Financial Review

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#### 2.1 Financial Results

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According to the financial statements presented the operation of the Agency had resulted in a deficit of Rs.41,313,223 for the year ended 31 December 2011 as compared with the deficit of Rs.39,167,043 for the preceding year, thus showing a determination in the financial results by Rs.2,146,180 .Increase in repair expenses, contracted services and research and development expenses had been the main reason for the decrease in financial results.

### 3. Operating Review

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#### 3.1 Performance

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Grants received by the Agency in the year and past 4 years for research and development expenditure increased thereon are given below.

		2007	2008	2009	2010	2011
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Total grants received	(Rs.M)	184	195	197	219	267
Research and development expenditure	(Rs.M)	37	39	36	37	46

The following observations are made in this regard.

- (a) Even though the increase in total grants received during the year 2011 as compared with the year 2010 amounted to Rs.48 million, the total expenditure incurred on research and development had increased only by Rs.9 million.
- (b) Out of the research and development grants received during the year under review, the expenditure incurred was only 17 percent.

### **3.2 Management Inefficiencies**

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The following matters were observed.

- (a) Without calling for market quotations for providing security services, the Agency had taken the security service from Fisheries Harbour Corporation from served years and a sum of Rs.5,346,111 had been paid for the provision of such service for the year under review services had been obtained in excess of the market prices and the security officers had been employed without asking for the requirement from the Agency.
- (b) Out of the provision made for the purchase of a vessel for researches for the year under review a boat had been built on incurring a sum of Rs.8,459,010 and the total expenditure incurred there on amounted to Rs.13,192,703.

### **3.3 Operating Inefficiencies**

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A sum of Rs.366,325 had been spent for a party extraneous to the objectives of the establishment of the Agency.

### **3.4 Idle and Underutilized Assets**

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The following matters were observed.

- (a) A sum of Rs.1,360,800 had been paid for the purchase of used rails to build an anchor ferry for the Kalpitiya research centre during the year under review. The stock of these rails had been retained in the centre for more than 01 year without being used for any purpose.

- (b) A sum of Rs.120,000 had been paid for the purchase of a Thanduri furnace and it had remained in the canteen for more than 01 year without being used.
- (c) Wall tiles value at Rs.225,000 had been purchased but they were in the stores for more than one year without being used.
- (d) A some of Rs.272,160 had been spent for the purchase of a software to maintain the general ledger including the fixed assets and stores items but it had not been utilized for more than 2 years.
- (e) Even though a sum of Rs.317,623 had been spent for the construction of a proposed food stores during the year under review the construction works had been stopped half way.
- (f) A deep freezer valued at Rs.275,400 had been purchased in the year under review but it had been kept in the head office without being used.
- (g) The boundary wall and the park valued at Rs.852,718 belonging to the Negambo Kadolkele Regional Research Centre had been identified as an idle asset by the Agency.

### **3.5 Personnel Administration**

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Cadre position as at 31 December 2011 is given below.

Particulars	Approved Cadre	Actual Cadre	No . of vacancies
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Staff	141	67	74
Non- staff	<u>282</u>	<u>234</u>	<u>48</u>
Total	<u>423</u>	<u>301</u>	<u>122</u>

The percentage of vacancies represented 29% as compared with the approved cadre.

### **3.6 Resources of the Agency given to other Public Institutions**

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A sum of Rs.1,821,155 as salaries and a sum of Rs.173,837 as combined allowances and overtime had been paid by the Agency for the officers who had been released to external parties.

## **4. Accountability and Good Governance**

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### **4.1 Corporate Plan**

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Although a corporate plan for the period 2009 – 2013 had been prepared to fulfill the vision and mission of the Agency in terms of paragraph 5 of the Public Enterprises circular No. PED/12 of 02 June 2003 it had not been updated.

### **4.2 Action Plan**

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Even though an annual action plan had been prepared, it had not been approved by the Board of Directors and not updated after being reviewed periodically. A system of periodical examination of the progress achieved as per action plan had not been introduced by the Agency and only the financial values had been included in it.

### **4.3 Internal Audit**

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The following observations are made in respect of the establishment and implementation of an Internal Audit Division.

- (a) A sufficient staff had not been recruited to the internal audit to perform the duties and functions of the Internal Auditor. The scheme of recruitment had not been approved so as to cover the functions of the Internal Audit Division of the Head office.
- (b) Due to dearth of officers responsibilities of the Internal Audit Division could not be planned and operated as required.

#### **4.4 Procurement Plan**

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A procurement plan had not been prepared.

#### **5. Systems and Controls**

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Weaknesses in systems and controls observed during the course of audit brought to the attention of the Agency from time to time. Special attention is needed in respect of the following areas of control.

- (a) Motor Vehicle Control
- (b) Human Resource Management
- (c) Control Administration
- (d) Amounts Receivable and Payable
- (e) Purchasing