

Head 290 - Report of the Auditor General of the Department of Fisheries and Aquatic Resources – Year 2017

The Appropriation Account and a Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act No. 24 of 2016 as amended by the Appropriation (Amendment) Act No.32 of 2017 and a Revenue Account relating to the revenue codes included in the table 3.1.1 of the Annual Budget Estimates were presented to audit by the Department of Fisheries and Aquatic Resources. The financial and physical performance reflected from those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility on the Financial Management and Accountability of the Chief Accounting Officer, Revenue Accounting Officer and the Accounting Officer

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124. The Minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of Department of Fisheries and Aquatic Resources – Head 290 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Director General of the Department on 26 October 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the Department of Fisheries and Aquatic Resources for the year ended 31 December 2017 revealed in audit appear in Management Audit Report mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.13 of this report. It was observed that the accountability had been satisfactorily performed as the Accounting Officer, to ensure the adequacy of the financial control subjected to the audit observations summarized in the undermentioned table revealed in the execution of the provisions of the Financial Regulation 128 of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Accounting Officer in terms of Financial Regulation 128(1)	Non-compliance with the Provisions by the Accounting Officer	Reference to the Paragraph included Observations
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----- Financial Regulation -----		
128(1)(a) The work of his Department is planned and carried out with due despatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized and that an endeavour is made, to complete the programme of work laid down for the year and/ or to attain the targets specified.	<ol style="list-style-type: none"> 1. Action Plan had not been prepared correctly. 2. Procurement activities not planned adequately 3. Non-maintenance of Registers and Books 4. Failure to achieve expected output level 5. Deficiencies in implementation of Procurement Process 	<p style="text-align: right;">2.1.1</p> <p style="text-align: right;">2.2.1</p> <p style="text-align: right;">2.10</p> <p style="text-align: right;">2.1.2(b)</p> <p style="text-align: right;">2.2.2</p>

128(1)(b)	The organization of finance control and accounting in his Department is effective and provides adequately for the correct ascertainment, where necessary of dues to Government, the systematic, complete and prompt collection of dues and bringing to account of moneys received the authorisation of commitments on behalf of the Government, the supervision and examination of services and supplies rendered and the prompt and correct payment therefore from public funds.	Delays in execution of projects	2.1.2(c)
128(1)(d)	An adequate system of internal check for receipts payments and issues is maintained and tested from time to time.	<ol style="list-style-type: none"> 1. Deficiencies in Revenue Accounts 2. Deficiencies stated in the Advances to Public Officers Account 	<p>2.7</p> <p>2.8</p>
128(1)(e)	Adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time and where they are disposed of such disposal is according to prescribed Regulations and instructions.	Deficiencies in conducting Annual Boards of Survey	2.3.1
128(1)(f)	Information, statements and returns as are called for by the Chief Accounting Officer or the Treasury are rendered correctly and promptly.	Delay in submission of Annual Performance Report	2.1.3
128(1)(g)	Returns showing the progress of collection of dues to Government are rendered regularly to the Chief Accounting Officer	Deficiencies in the Revenue Account	2.7(a)

128(1)(h)	Special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quarter or as otherwise directed regarding arrears and action pursued to expedite their money.	1. Deficiencies in Revenue Accounts 2. Recovery of outstanding loan balances in the Advances to Public Officers Account.	2.7(a) 2.8(a)
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128(1)(i)	The activities of his Department are under taken with due regard to economy, efficiency propriety and intergrity expected in the transaction of public business. (in this context economy means not merely keeping within the Estimate but also ensuring that the Government receives best value for money expended)	Delays in execution of Projects	2.1.2(c)
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128(1)(m)	An appropriation Account is rendered to the Chief Accounting Officer at the end of the financial year in respect of each Programme of a Head of Expenditure for which he is responsible as Accounting Officer. (see F.R.150)	Deficiencies mentioned in Appropriation Account	2.6
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Financial Regulation 128(2) - Accountability of Revenue Accounting Officer

128(2)(a)	The estimates of Revenue are prepared completely and as accurately as possible for the Revenue Codes	Failure to collect expected revenue/ Action not taken to revise revenue estimate in increase of collectable revenue or in decrease	2.7
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128(2)(c) Half yearly returns are prepared and forwarded to the Auditor General showing the state of arrears of Revenue as at 30th June and 31st December of each financial year under the Revenue Code. (These returns should reach the Auditor General before the 31st July of the financial year and 31st January of the following financial year respectively. A copy should be forwarded to the Treasury Department of Fiscal Policy)

Half yearly returns of arrears of revenue had not been prepared and furnished to audit on due date.

2.7

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Planning

Six main activities had to be executed by the Department in the year under review and the Action Plan prepared for the expected results had not been prepared in terms of Public Finance Circular No.01/2014 dated 17 February 2014. The following deficiencies were observed in this connection.

- (a) One activity expected to be executed had not been included in the action plan. Out of the provisions made to execute that activity, 20 per cent had been saved.
- (b) The organizational structure of the institute updated for the year under review and the details of approved cadre and the actual cadre had not been furnished with the Action Plan.
- (c) The expected output and the results of the activities prepared as per priority basis on the annual budget of the year under review had not been estimated and mentioned.
- (d) Imprest Requirement Plan for the annual activities had not been presented with the Action Plan.

2.1.2 Non-performing of Activities

The following observations are made.

(a) Non-performing of Activities included in Action Plan

As per the annual action plan, 21 activities should have been performed by the Department and 20 out of them had been performed. The following observations are made in this connection.

- i. As per the action plan, the provisions of Rs.80.1 million had been made to provide solar power units under introducing of new technology for the small scale and medium scale fishing industry and it was expected to achieve hundred per cent output level from performing of that activity. Nevertheless, the procurements could not be accomplished as planned and as such the provisions of Rs.80.1 million had not been utilized.
- ii. Even though, the provisions of Rs.15 million had been allocated for repairing of 07 District Fisheries Offices under Rehabilitation and Improvement of Buildings in the Action Plan, 3 activities which were not planned had been performed and Rs.2.7 million had been incurred thereon. As such the repairs of District Fisheries Offices of Nigombo and Kalmunai had not been carried out as planned.

(b) Failure to Achieve Expected Output Level

The provisions of Rs.431.2 million had been utilized for 12 activities under 06 main functions as per the Action Plan. As the performance indicators of that activities had not been shown, it could not be ensured that the performance had been accomplished as expected.

(c) Delays in Execution of Projects

Out of the provisions of Rs.500 million received for the project of Introducing of new Technology and providing of Transponder and Solar panels which commenced on 01 January 2017 and should be completed on 30 November 2017, a sum of Rs.343 million had been incurred by 31 December 2017. But that project had not been completed even by 31 August 2018.

2.1.3 Annual Performance Report

Even though, the Annual Performance Report for the year under review should be tabled in Parliament within 150 days after the closure of the financial year by the Department in terms of Public Finance Circular No.402 dated 12 September 2002, that report had not been tabled in Parliament even by 15 August 2018.

2.2. Supplies and Services obtained by Procurement Process

The Department had carried out the activities as per the Government Procurement Guidelines and the provisions of Rs.90.55 million been made for the supplies and services and the provisions of Rs.68.30 million had been utilized.

2.2.1 Planning of Procurements

The Procurements under capital expenditure had only been included without being included the procurements under recurrent expenditure in planning of procurements by the Department.

2.2.2 Implementation of Procurement Process

- (a) A sum of Rs.183,912,000 had been paid to purchase of 2328 electronic tablets at the rate of Rs.79,000 each under Introducing of new Technology for the officers of fisheries harbour and fishermen . In terms of the Guideline 2.8(b) of the Procurement Guidelines, a subject specialist had not participated for the Technical Evaluation Committee. Out of 2328 electronic tablets, 1816 tablets had not been distributed even by 10 June 2018. It was observed that, the most of the people in fishing industry had disinterested to obtain and utilize this electronic tablet as that the fishermen had not been informed and a training relating to the utilization of these electronic tablets had not been given. Therefore, the objective of purchasing of those tablets had not been accomplished.

- (b) Under alternative revenue generation for fishing women, a sum of Rs.4.34 million had been incurred to purchase equipment including 304 fibre glass fish packing boxes and 76 metal pots to distribute among 76 beneficiaries in respect of the project of processing maldivian fish implemented in the Matara District. But action had not been taken in terms of Guidelines 2.11.1(a), 2.12, 4.2.2(a) and 8.9.1 of the Government Procurement Guidelines 2006.

2.3 Assets Management

The following deficiencies were observed during the course of audit test check on the assets of the Department.

2.3.1 Conduct of Annual Boards of Survey

The following observations are made.

- (i) Even though, the Annual Boards of Survey for the year 2017 should be conducted in terms of Public Finance Circular No.05/2016 dated 31 March 2016 and the reports should be furnished to the Auditor General before 17 March 2018 in terms of paragraph 3.1.6 of above Circular, the Department had not furnished those reports to the Auditor General even by 26 October 2018. The last Boards of Survey conducted had been for the year 2016.

- (ii) Action on the excesses and shortages pointed out and the other recommendations made in the Reports of the Board of Survey for the year 2016 had not been taken in terms of the Financial Regulations.

2.4 Unresolved Audit Paragraphs

Reference to the audit paragraphs on which the Department had not rectified the deficiencies out of those pointed out in the paragraphs included the Reports of the Auditor General on the Department is given below.

Reference to Report of the Auditor General		Subject Under reference
Year	Paragraph Number	
2015	3.8.1	A sum of Rs.4,550 million had been incurred by the General Treasury for the programme of providing fuel as a relief for the owners of the fishing boats due to increases of fuel prices. According to the particulars of the Ceylon Petroleum Corporation, the value of fuel supplied amounted to Rs.4,374 million. As the interests are paid to the General Treasury on behalf of the money paid by Treasury Bond amounting to Rs.4,330, the interest paid annually by the General Treasury for the money overpaid of Rs.176 million had been a loss as well to the Government.
2016	3.7	Even though, a sum of Rs.149.8 million had been paid to produce 10 boats in the year 2016, five boats had not been completed and handed over even by September 2018.

2.5 Management Weaknesses

Three hundred and seventy eight multi day shipping boats with Transponders had been in non-operative as at 31 December 2017 and 57 ships had violated the international sea limits. Action had not been taken to repair and utilize the ships which remained in non-operation.

2.6 Utilisation of Provisions made by Parliament to execute Functions

Appropriation Account

The following observation is made.

Utilisation of Provisions made available by the Ministry

Provisions of Rs.24.6 million had been made available by the Ministry of Fisheries and Aquatic Resources Development for various activities. A sum of Rs.6.51 million out of that had only been utilized by the end of the year under review. Accordingly, provisions of Rs.18.09 million or 73 per cent out of the provisions made had been saved.

2.7 Estimated and Actual Revenue

The revenue totalled Rs.20 million had been estimated by the Department for 01 Revenue Code for the year 2017 and a revenue totalling Rs.24.84 had been collected in the year under review. It represented 124.2 per cent of the estimated revenue. The following deficiencies were observed during the course of audit on the Revenue Account.

(a) Revenue Code 10.03.07.06 – Revenue Account

- i. The Revenue estimates had not been prepared as realistic and accurately as possible, in terms of Financial Regulation 85(1)(c) and as such the revenue had been collected exceeding the estimated revenue. The revised estimates of revenue had not been prepared by the Department and presented to the Department of State Fiscal Policy.
- ii. According to the Revenue Account presented to audit, the Revenue totalling Rs.150,000 had remained in arrears since the year 2015.
- iii. Half yearly returns of arrears of revenue relating to the revenue code had not been prepared in terms of Financial Regulation 128(2).
- iv. A sum of Rs.16,000 receivable from fish processing centres had not been included in the Revenue Account.
- v. The increase of actual revenue of the year under review as compared with the actual revenue of the preceding year had been Rs.2.037 million. The receipts of revenue as imports, imports and re-exports and other imports and exports under 4 new revenue items commenced in terms of the Gazette Notification No.2023/15 dated 15 June 2017 had been the reason for the increase of revenue.
- vi. A large revenue had been deprived due to reduce the charges for growing of sea weeds on sub layers up to Rs.50 from Rs.100 per piece in terms of the Extra-ordinary Gazette No.1924/6 dated 20 July 2015 and the licence fees had not been assessed to the market value and a reasonable value for licence fees had not been charged.

- vii. The transportation of lifeless oyster shells (M₂) and revenue of licence fees had been assigned to the Geological and Mines Bureau from the year under review and as such a sum of Rs.3.8 million received as revenue in the preceding year had been deprived during the year under review.

2.8 Advances to Public Officers Account

Limits Authorised by parliament

The limits authorized by Parliament for the advances to Public Officers Account, Item No.290011 of the Department and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
24	24	17	21.8	105	78

The following observations are made in this connection.

(a) Non-recovery of outstanding Loan Balances

According to the Reconciliation Statement presented to audit the balances that remained outstanding as at that date except the loan balances of the officers transferred out totalled Rs.2,427,199. Even though, those outstanding loan balances remained over periods ranging from 13 years to 20 years, the follow-up action on the recovery of the outstanding balances had been at a weak level.

(b) Non-recovery of loan balances of officers Transferred on Station Transfers

In terms of the paragraph 1.1.6 of the National Budget Circular No.118 dated 11 October 2004 the dues from the officer should be informed to that Department for which the officer transferred to recover the dues immediately and should be confirmed that the respective Department had been recorded the dues to recover from that officer Further, that should be informed to the Auditor General and the Department of National Budget. Nevertheless, the loan balances of 3 officers who had not taken action to settle those totalled Rs.352,510.

2.9 Imprest Account

The balances of the one imprest account under the Department as at 31 December 2017 totalled Rs.1.78 million. Even though, the sub-imprest grants in terms of the Financial Regulation 371(2) should have been settled immediately after the completion of the purpose for which it is granted, it was observed that 39 instances of delays in settlement of special petty cash balances and special fuel advances granted during the year 2017.

2.10 Non-maintenance of Books and Registers

Even though, the Register of Fixed Assets had been maintained by the Department in terms of the Treasury Circular No.842 dated 19 December 1978, it was not updated.

2.11 Internal Audit

- (a) Nine and 08 audit queries had been issued for the years 2016 and 2017 respectively and it was observed 02 audit queries out of that for which the replies had not been furnished.
- (b) Vacancies of 02 approved posts of Development Officers had existed.
- (c) Adequate Officers with a knowledge and training on accounts and auditing to strengthen the Internal Audit Unit had not been attached in terms of the Circular No.DMA/2009(1) of the Department of Management Audit dated 09 June 2009.
- (d) Necessary action had not been taken to provide required knowledge for internal audit activities in terms of Internal Auditing Standards 1210 introduced by the Management Audit Circular No.DMA/2009(3) dated 07 October 2009.

2.12 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

As per the particulars of approved cadre, actual cadre, vacancies and excess cadre as at 31 December 2017 to accomplish the functions of the Department, the number of vacancies had been 324. A sum of Rs.336.07 million had been incurred for Personal Emoluments Expenditure category in the year under review. Accordingly, the annual expenditure per person amounted to Rs.492,060.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
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(i)	Senior Level	48	37	11	-
(ii)	Tertiary Level	20	13	07	-
(iii)	Secondary Level	831	544	287	-
(iv)	Primary Level	107	88	19	-
(v)	Casual/ Contract	-	01	-	01
	Total	1006	683	324	01
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2.13 Accomplishment of Sustainable Development Goals

The United Nations Organisation had introduced the Sustainable Development Agenda based on the economic improvement and social development and provide the environmental protection of all countries belonged to their organisation by the year 2030. This Department had not identified the expected objectives, goals and indicators in line with that and the methodologies also had not been identified to obtain accurate data and management of physical resources.