

Head 151 - Report of the Auditor General of the Ministry of Fisheries and Aquatic Resources Development– 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 3.2.2 of the Annual Budget Estimates were presented to audit by the Ministry of Fisheries and Aquatic Resources Development. 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

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 Ministry of Fisheries and Aquatic Resources Development– Head 151 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 Secretary of the Ministry on 30 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 Chief Accounting Officer and 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 Chief Accounting Officer in terms of Financial Regulation 127	Non-compliance with the Provisions by the Chief Accounting Officer	Reference to the Paragraph included Observations
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Financial Regulation -----		
127(1)(a)	Should be planned all the financial work so as to ensure for action taken with correctness and financial propriety. (the Department must be transacted in accordance not merely with the financial and Departmental orders but also with the high standards of integrity expected.)	<ul style="list-style-type: none"> 1. Failure to prepare Action Plan correctly. 2.1.1 2. Procurement activities not planned adequately 2.3.1 3. Non-maintenance of Books and Registers 2.10 4. Deficiencies in internal audit 2.12
127(1)(b)	Should evolve a system which provides adequate controls over expenditure and the collection of revenue.	<ul style="list-style-type: none"> 1. Unresolved Audit Paragraphs 2.6 2. Deficiencies in Human Resources Management 2.13
127(2)	Existing items of expenditure as well as proposals for new or increased expenditure in the Departments under his control are closely examined in the Ministry from the points of view of economy and efficiency.	<ul style="list-style-type: none"> 1. Failure to achieve expected output level 2.1.2(b) 2. Projects abandoned without completing 2.2.1(f) 3. Delays in execution of projects 2.1.2(c) 4. Deficiencies in implementation of Procurement Process 2.3.2 5. Internal Audit 2.12

127(3)	To ensure that the all cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and judgement to bear on them	<ol style="list-style-type: none"> 1. Deficiencies in utilisation of Motor Vehicles 2. Under-utilisation of assets/ existed in idle 	<p>2.4(a)</p> <p>2.4(b)</p>
127(4)	To ensure that the Appropriation Accounts are duly rendered by each of his accounting officers and examined at the Ministry before he signs them, and that important differences in the estimates and the actual expenditure are critically investigated by him.	<ol style="list-style-type: none"> 1. Non-presentation of Annual Performance Report 2. Liabilities entered exceeding the annual Budget limit 3. Deficiencies in Imprest Account 	<p>2.1.3</p> <p>2.5</p> <p>2.9</p>
127(5)	To ensure that important variations between Departmental estimates and expenditure receive critical examination at the Ministry.	<ol style="list-style-type: none"> 1. Provisions not utilized. 2. Excess provisions made 3. Deficiencies in utilisation of provisions made available by supplementary estimates allocations. 	<p>2.7(a)(i)</p> <p>2.7(b)(ii)</p> <p>2.7(b)(iii)</p>
127(6)	To ensure that the collection of revenue or other Government dues for which accounting officers are responsible is closely watched and examined by the Ministry.	Deficiencies mentioned in Advances to Public Officers Account	2.8

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Planning

The Action Plan for the year 2017 had been prepared without complying the Public Finance Circular No.01/2014 dated 17 February 2014. Fourteen main functions that should be executed by the Ministry had existed. The following deficiencies were observed in respect of the Action Plan prepared for the year under review to achieve results expected from 05 statutory institutions, 01 other institution and 01 foreign funded project established under the Ministry.

- (a) The Action Plan had not been prepared in a manner to accomplish expected main functions.

- (b) Even though, 128 functions had been identified as per Action Plan, those were not prepared in line with the main functions.
- (c) The organizational structure of the institution updated for the year under review and the particulars of approved cadre and the actual cadre had not been presented with the Action Plan.
- (d) The expected output and results of the activities prepared as per priorities based on the annual budget of the year under review had not been estimated and mentioned.
- (e) The Imprest Requirement Plan for the annual activities had not been presented with the Action Plan.

2.1.2 Non-execution of Functions

 The following observations are made.

(a) Non-execution of Functions included in the Action Plan

 According to the Action Plan, 128 functions should have been accomplished by the Ministry while 126 functions out of that had been accomplished. The provisions totalling Rs.85.1 million had been made through domestic financing for 2 functions which were not executed such as providing solar panels for beneficiaries and breeding technology.

(b) Failure to achieve Expected Output Level

 Even though, 14 main functions had been identified according to the Annual Action Plan, the provisions of Rs.6,059.5 million had been utilized for 126 activities out of 128 activities included in the Action Plan. But, it could not be ensured that, the performance had been accomplished as expected, as the performance indicators of that activities had not been mentioned.

(c) Delays in Execution of Projects

 A sum of Rs.385.5 million had been estimated for the year 2017 in respect of 15 projects which should be completed by 30 November 2017 and a sum of Rs.241.63 million had been incurred. Even though, those projects had not been completed even by 31 December 2017, the reason for the delay had not been presented to audit.

2.1.3 Annual Performance Report

 Even though, the Performance Report relating to the year under review should have been tabled in Parliament within 150 days after completion of the financial year by the Ministry in terms of Public Finance Circular No.402 dated 12 September 2002, above report had been tabled in Parliament only on 10 October 2018.

2.1.4 Production of Fish

The production of fish had increased by 07 per cent in the year 2017 as compared with the year 2016 and by 2.1 per cent in the year 2016 as compared with the year 2015. While the entire production of fish in the year 2017 had decreased by 1.65 per cent.

2.1.5 The data relating to import and export of fish for the year under review and preceding years are given below.

<u>Year</u>	<u>Imports</u>		<u>Exports</u>	
	<u>Metric Tones</u>	<u>Expenditure</u> Rs.millions	<u>Metric Tones</u>	<u>Revenue</u> Rs.millions
2014	78,712	18,860	26,320	34,797
2015	120,046	30,729	17,461	24,716
2016	115,693	35,172	17,593	26,802
2017	106,020	33,969	24,827	39,230
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	420,471	118,730	86,201	125,545
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The following observations are made in this connection.

- (a) The revenue of export of fish production in the year under review had increased by Rs.12,428 million or 46 per cent as compared with the preceding year. As decrease of the import expenditure by Rs.1,203 million or 3.42 per cent, the net foreign exchange earnings had shown a positive value of Rs.13,631 million.
- (b) A sum of Rs.123.3 million had been incurred to deposit of fries from the year 2012 to 2016 without being considered the direct expenses incurred by the National Aqua Culture Development Authority and other organisations for breeding of fresh water fries as well in addition to the provisions given by the Ministry and without being determined the performance targets. Nevertheless, the follow-up action had not been carried out.

2.2 Implementation of Domestic and Foreign Aid Projects

The provisions totalling Rs.1,665 million and Rs.439 million had been made by the Ministry in the year under review for 04 projects implemented by utilizing domestic funds and for 01 foreign funded project respectively. Out of that provisions, a sum of Rs.1,187.19 million comprising Rs.1,180.8 million and Rs.6.39 million respectively had been utilized. Accordingly, a sum of Rs.916.81 million or 43 per cent out of the provisions had been saved.

2.2.1 Performance in Domestic Financing Projects

- (a) Under the project of fishery and harbour anchorages, harbour development and reconstruction a sum of Rs.834.67 million had been incurred for 14 projects from the year 2016 to 2017 while 13 projects had not been completed even by 31 December 2017 and 01 project had been completed with a delay.

- (b) Forty eight projects implemented from the provisions made available to the District Secretariat, Hambantota had been assigned to the community based organisations at the estimated value without being invited competitive quotations.
- (c) Even though, a fishery harbour jetty had been constructed to hold on 100 fishery boats in the Lunugamvehera reservoir by incurring Rs.706,499, it was observed that there was no possibility to hold the fishery boats within the jetty. An overpayment of Rs.429,162 had been paid to the contractor on the fake measurements.
- (d) The fish trade stall constructed in March 2017 by incurring Rs.501,623 in Lunugamvehera area had not been utilized for any purpose even by 04 August 2017. A sum of Rs.2,104,247 had been overpaid for 7 road development projects due to the deficiencies in preparing estimates and various reasons.
- (e) Abandonment of certain works included in Domestic Financing Projects

Even though, a sum of Rs.80.32 million had been incurred to commence the Project of Constructions of Kaikawala, Anchorage which should have been completed by the end of the year 2015, the project had been relinquished due to non-receiving the approval of the Department of Coast Conservation. The legal action had been instituted to recover Rs.50.96 million only out of the money paid.

2.3 Supplies and Services obtained through Procurement Process

2.3.1 Planning of Procurements

The procurements under the recurrent expenditure had not been included in the Procurement Plan of the Ministry.

2.3.2 Implementation of Procurement Process

- (a) The following observations are made in respect of the reconstructions of second floor of the building of the Ministry of Fisheries and Aquatic Resources.
 - (i) The contract had been awarded to the contractor who quoted minimum price but the price quoted by the contractor had been more than the estimated price by 9.8 per cent.
 - (ii) Action had not been taken in terms of Guidelines 2.11.1(c), 4.3.1 (a) and 8.9.1 of the Government Procurement Guidelines.
 - (iii) The approval of the Procurement Committee and the Technical Evaluation Committee had not been obtained for the changes of the activities stated in the original estimate.

- (iv) Even though, the performance bonds furnished had been extended in 4 instances from time to time from 25 November 2016 to 31 July 2017 due to non-completion of the works of the contract, the action had not been taken to extend that after 31 July 2017.
 - (v) The attention had not been paid in respect of the financial ability of the respective institution in the accomplishment of activities as well as deploying of the staff.
- (b) Action had not been taken in terms of Guidelines 2.3.2 (c) and 8.9.1 (b) of the Procurement Guidelines for the procurements of office equipment valued at Rs.1,493,240.
 - (c) The procurements of the project of construction of Boat Yard in Karainagar, Jaffna valued at Rs.256,602,251 which should be carried out by the Procurement Committee of the Ministry in terms of Guideline 2.14.1 of the Procurement Guidelines had been made by the consultancy company of the project and prepared estimates under 3 packages as to not exceeded Rs.150 million for each package and the procurements activities had been made through the procurement committee of the Ministry.

2.4 Assets Management

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

(a) Motor Vehicle Utilisation

Fuel Consumption Tests not carried out

The fuel consumption tests of 40 motor vehicles belonging to the Ministry had not been carried out in terms of paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016.

(b) Idle and Under-utilized Assets

Even though, the Udawalawa Maha-ara Fisheries Community Hall Building and Kudawella West Nakulugamuwa Fisheries Co-operative building had been constructed by incurring a sum of Rs.1.5 million and Rs.12 million respectively, those buildings had not been utilized even by September 2018.

(c) Conduct of Annual Boards of Survey

The following observations are made.

- (i) The annual Boards of Survey for the year 2017 should have been carried out in terms of Public Finance Circular No.05/2016 dated 31 March 2016, and the reports should have been furnished to the Auditor General before 17 March 2018 in terms of paragraph 3.1.6 of the above Circular, those reports

had been furnished to the Auditor General by the Ministry only on 01 August 2018.

- (ii) Action on the excesses and shortages pointed out and the other recommendations made in the reports of the Boards of Surveys for the year 2016 had not been taken in terms of the Financial Regulations.
- (iii) The Boards of Survey in respect of the Office of the Deputy Minister, Official Residence and the Official Residence of the Secretary had not been carried out.

(d) Assets given to external parties

Even though, the official vehicle amounting to Rs.38.5 million had been taken by the Minister to the Ministry of Agriculture, action had not been taken for vesting the vehicle even by 30 October 2018.

2.5 Commitments and Liabilities

Commitments entered exceeding the annual Budget Limit

The commitments of Rs.5.97 million had been entered into exceeding the provisions of Rs.88.26 million made for 16 Objects by Rs.3.72 million without being complying the paragraph 02(a) of the Public Finance Circular No.255/2017 dated 27 April 2017.

2.6 Unresolved Audit Paragraphs

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

Reference to Report of the Auditor General		Subject Under reference
Year	Paragraph Number	
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2015	3.10.3(a)	According to an agreement entered into with a Singapore Company to purchase 02 mother boats in the year 2017, the contractor had not produced and handed over the boats. A sum of Rs.71.59 million including Rs.65 million had been incurred as advances without a bank guarantee.

2016	3.11(I)(xi)	Even though, a sum of Rs.5 million had been paid for the project of Development of Negombo Lagoon based on the specifications given by the Ceylon Fishery Harbours Corporation on 14 December 2014, the project had been abandoned.
2016	3.13(a)	Even though, a sum of Rs.893.29 million had been received in the year 2016 comprising a sum of Rs.890.19 from the General Treasury as supplementary provisions and a sum of Rs.3.10 million under Financial Regulation 66 Transfers to the Ministry to restructure Ceylon Fisheries Corporation, the progress thereon had not been reported to the Ministry.

2.7 Utilisation of Provisions made by Parliament to execute Functions

The particulars relating to the provisions made to the Ministry and utilization and the savings during the 05 years period ended 31 December 2017 and the audit observations are given below.

Year	Category of Expenditure	Net Provision	Utilisation	Savings	Savings as a percentage of Net Provision
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		Rs.Millions	Rs.Millions	Rs.Millions	
2013	Capital	1,459.93	1,252.96	206.97	14.18
2014	Capital	2,009.26	1,309.31	699.95	34.84
2015	Capital	2,680.00	1,951.29	728.71	27.19
2016	Capital	3,021.83	2,942.76	79.07	2.62
2017	Capital	5,627.72	3,321.35	2,307.40	40.99

According to the above particulars, it was observed that, a considerable amount, out of the capital provisions made in each year, other than the year 2016 during past 5 years had not been utilized. A higher savings of provisions were observed in the year 2017.

The following observations are made.

(a) **Provisions made without considering the Proposed Time Frame to execute Functions.**

The necessary provisions had been made by the Ministry according to the total cost estimate to execute the functions such as to prepare a new Fisheries and Aquatic Policy and to implement a Northern Province Sustainable Fisheries Development Project. The entire provisions of Rs.270 million had been saved due to the reasons such as failure to plan foreign education programme properly and the project had been commenced in the mid-term of the year.

(b) **Appropriation Account**

The following observations are made.

(i) **Non-utilisation of Provisions**

The entire net provisions of Rs.207.45 million made for 04 Objects had been saved without being made any utilisation.

(ii) **Excess Provisions made**

Excess provisions totalling Rs.101.6 million had been made for 7 Objects and, after the utilisation of provisions totalling Rs.59.98 million, only the savings ranged between 18 per cent to 72 per cent of the net provisions relating to the respective Objects.

(iii) **Provisions made from the Supplementary Estimate Allocations**

Without being utilized the provisions for the activity requested from the project of Supplementary Support Services and Emergency Requirements, the provisions had been transferred to other Objects under the Virement Procedure of Financial Regulation 66.

2.8 Advances to Public Officers Account

The following observations are made.

Limits Authorised by Parliament

The limits authorized by Parliament for the advances to Public Officers Account of the Ministry 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
9.5	9.4	5	5.3	30	25

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 officers transferred out totalled Rs.1,116,448. Even though, those outstanding balances remained over periods ranging from 4 years to 32 years, the Ministry had failed either to recover or to settle the outstanding loan balances.

(b) Non-recovery of Loan balances of Officers Transferred out

In terms of the paragraph 1.1.7 of the Budget Circular No.118 dated 11 October 2004, it was stated that the unsettled loan balances between the Departments should not be shown in elapsed of 02 months after an officer came on station transfer or in elapsed of 03 months after an officer transferred out. Nevertheless, the action had not been taken even in the year under review to settle the loan balances of Rs.153,526 recoverable from 14 officers transferred out during the period since 1987 to 1994.

2.9 Imprest Account

Even though, the ad-hoc sub imprest granted, should have been settled within 10 days after completion of the purpose in terms of Financial Regulation 371(5) as amended by the Public Finance Circular No.03/2015 dated 14 July 2015, the ad-hoc sub-imprests granted in 06 instances totalling Rs.9,714,599 had not been settled even by 09 May 2018.

2.10 Non-maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation	Observations
Fixed Assets Register on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002.	Not updated.
Register of Security	Financial Regulation 891(1)	Not maintained.
Register of Electrical Equipment	Financial Regulation 454(2)	Not maintained.

Register of Counter foil Books	Financial Regulation 341	Not maintained.
Attendance Register of Procurement Committees and Technical Evaluation Committees	Guideline 2.9.2 of Government Procurement Guidelines	Not maintained.
Register of Bid Invitation	Guideline 5.2.1 of Government Procurement Guidelines	Not maintained.

2.11 Non-compliances

2.11.1 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Public Finance Circulars	

(i) Public Finance Circular No.02/2012 dated 07 August 2012	The total cost estimate had not been prepared with considering all matters such as changes of the scope of approved original estimate, requirements and price variances.
(b) Letters of Secretary to President	

Letter of Secretary to the President No.CA/1/17/1 dated 14 May 2010.	Three motor vehicles had been over allocated to a Minister and a Deputy Minister and his staff.

2.12 Internal Audit

According to the Financial Regulation 133, it was emphasized that the Accounting Officers should establish Internal Audit Units in their Departments for the purpose of their duties and responsibilities indicated in Financial Regulation 128.

The following observations are made in this connection.

- (a) The number of approved cadre for the Internal Audit Unit had been 8 but 02 posts out of that had remained vacant. In terms of Circular No.DMA/2009/01 of the Department of Management Audit dated 09 June 2009 an adequate number of officers who had the knowledge and training in respect of the accounts and auditing had not been assigned to strengthen the Internal Audit Division.
- (b) According to the Circular No.DMA/AMC/2016/05/05 dated 09 December 2015, the special attention of the internal audit should be referred to the development activities. Even though, a sum of Rs.52.15 million had been incurred by the Ministry for the

buildings and constructions for the year 2017, an internal audit had not been carried out in that connection.

- (c) An internal audit had not been carried out in the Statutory Institutions established under the Ministry.
- (d) Replies to 28 audit queries issued in the years 2016 and 2017 had not been furnished even by 25 July 2018.

2.13 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The particulars of approved and actual cadre and the (vacancies) as at 31 December 2017 to accomplish the functions of the Ministry are given below. The Ministry had incurred a sum of Rs.104.88 million for personal Emoluments Expenditure Category for the year under review. Accordingly, the expenditure per person amounted to Rs.0.66 million.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	22	22	-
(ii)	Tertiary Level	5	5	-
(iii)	Secondary Level	116	83	33
(iv)	Primary Level	58	47	11
	Total	201	157	44

The following observation is made in this connection.

According to a decision of the Cabinet of Ministers No.16/0280/702/002/111 dated 23 February 2016, it was approved to create a temporary post as Assistant Secretary of the Ministry (labour relations) but not a post of Sri Lanka Administration Service for the co-ordination of trade union activities and to pay the salary scale of SL-1-2006 in the Public Administration Circular No.6/2006 for that post. Nevertheless, the minimum qualifications for that post had not been mentioned. Even though, the officer recruited had been attached to the Ministry office such a post had not been approved in the staff of the Minister.

2.14 Execution of Sustainable Development Goals

Even though, the Agenda of Sustainable Development Goals by the year 2030 based on the economic improvement, social development and to provide environmental protection of all countries belonging to the United Nations Organisations had been introduced by the Organization, the expected objectives, goals and indicators had not been identified in line with the above and the methodologies as well to obtain accurate data and management of physical resources had not been identified.