

Head 139 - Report of the Auditor General relating to the Ministry of Fisheries and Aquatic Resources Development and the Department under the Ministry – Year 2013

This report consists of two parts.

Part 1 – Summary report relating to the Ministry and the Department under the Ministry.

Part 2 – Detailed reports relating to each Head

Part I

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

1. Department under the Ministry

Head -----	Department -----
290	Department of Fisheries and Aquatic Resources

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Ministry and the Department under the Ministry amounted to Rs.2,774,206,239 and out of that a sum of Rs. 2,268,336,725 had been utilized by the end of the year under review. Accordingly, the net savings of the Ministry and the Department had been Rs.206,999,474 and Rs.298,870,040 or 9.84 per cent and 44.57 per cent of the total net provision respectively. Details appear below.

As at 31 December 2013

Head	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
	Rs.	Rs.	Rs.	
139	2,103,676,239	1,896,676,765	206,999,474	9.84
290	670,530,000	371,659,960	298,870,040	44.57
Total	2,774,206,239	2,268,336,725	505,869,514	18.23

(b) Utilization of Provisions made available by other Ministries and Departments.

Provisions totalling Rs.70,410,597 had been made available by other Ministries and Departments for various purposes, and the particulars of utilization of such provisions are given below.

Ministry/ Department which Received the Provisions	Ministry/ Department which made the Provisions	As at 31 December 2013			Savings as a Percentage of Provisions Received
		Provisions Received	Utilization	Savings	
		Rs.	Rs.	Rs.	
Ministry of Fisheries and Aquatic Resources Development	Ministry of Economic Development	14,334,500	11,573,150	2,761,350	19.26
Department of Fisheries and Aquatic Resources	District Secretary, Kaluthara	270,000	242,999	27,001	10.00
Department of Fisheries and Aquatic Resources	District Secretary, Colombo	97,833	97,833	-	-
Department of Fisheries and Aquatic Resources	District Secretary, Gampaha	527,667	527,667	-	-

Department of Fisheries and Aquatic Resources	Department of Coast Conservation	7,703,685	7,703,685	-	-
Department of Fisheries and Aquatic Resources	Ministry of Fisheries and Aquatic Resources	47,476,912	47,367,254	109,658	0.23
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	Total	70,410,597	67,512,588	2,898,009	4.11
		=====	=====	=====	

2.2 Revenue Account

----- Estimated and Actual Revenue -----

Revenue totalling Rs.10.00 million had been estimated by the Department of Fisheries and Aquatic Resources under 01 Revenue Code for the year 2013 and revenue of Rs.10.84 million had been collected during the year under review. A sum of Rs.838,496 or 8.38 per cent had been collected over the estimated revenue. Details appear below.

Revenue Code	As at 31 December 2013			Excess as a Percentage of Estimate
	Estimated Income	Actual Income	Excess	
-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	
10.03.07.06	10,000,000	10,838,496	838,496	8.38

2.3 Advance Accounts

----- 2.3.1 Advances to Public Officers Account -----

----- Limits Authorized by Parliament -----

The limits authorized by Parliament for the Advances to Public Officers Account in respect of the Ministry and the Department under the Ministry and the actual values are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
13901	6,300,000	4,161,677	3,800,000	4,918,169	38,000,000	23,730,366
29001	20,000,000	15,475,399	12,000,000	17,916,239	112,000,000	67,780,614

2.4 Imprest and General Deposit Accounts

2.4.1 Imprest Accounts

The balance of the Imprest Account of the Ministry and the Department under the Ministry as at 31 December 2013 totalled Rs.47,641,347. Details appear below.

Ministry/ Department	Imprest Account Number	Balance as at 31 December 2013
Ministry of Fisheries and Aquatic Resources Development	7002/0000/000/0089/0013/000	47,637,759
Department of Fisheries and Aquatic Resources	7002/0000/000/0257/0013/000	3,588
Total		47,641,347

2.4.2 General Deposits Accounts

The balances of the General Deposits Accounts of the Ministry and the Department under the Ministry as at 31 December 2013 totalled Rs. 43,582,353 .Details appear below.

Ministry / Department	Deposit Account Number	Balance as at 31 December 2013
-----	-----	-----
		Rs.
(i) Ministry of Fisheries and Aquatic Resources Development	6000/0000/000/0015/0051/000	39,179,041
(ii) Department of Fisheries and Aquatic Resources	6000/0000/000/0015/0145/000	4,403,312
Total		43,582,353
		=====

Part 2

Detailed Report relating to each Head

1. Head 139 - Ministry of Fisheries and Aquatic Resources Development

1.1 Scope of Audit

The audit of Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the Ministry of Fisheries and Aquatic Resources Development for the year ended 31 December 2013 was carried out in pursuance of provisions in 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 13 November 2014. 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 for the Accounts and Reconciliation Statements

 The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and Reconciliation Statements 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 and the 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 Observation

 According to the Financial Reports and the Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (d) and the other major audit findings appearing in paragraphs 1.4 to 1.11 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Fisheries and Aquatic Resources Development had been prepared satisfactorily.

(a) Budgetary Variance

 The following observations are made.

- (i) Entire net provisions of Rs.110,000,000 made under one Object had been saved.
- (ii) Due to excess provisions had been made for 10 Objects, the savings after utilization of provisions were ranged from 26 per cent to 96 per cent of net provisions relating to such Objects.

- (iii) The provisions of Rs.110 million had been made to purchase main ships in the year under review. Nevertheless provisions of Rs.30 million and Rs.80 million had been utilized for other activities such as for Research Ship for National Aquatic Resources Research and Development Agency and Dickovita Fishery Harbour Project respectively.

The provisions had been made by the Ministry year by year from the year 2006 to purchase main ships and that provisions had been transferred to other activities continuously while action had not been taken to purchase ships even by 31 December 2013.

- (iv) In addition to the estimated provisions of Rs.4,500,000 made for the Object - Foreign Travelling, provisions of Rs.4,697,715 and Rs.1,500,000 had been made by Financial Regulation 66 and Supplementary Estimates respectively. Additional provisions obtained as above had been 138 per cent of the original provisions.

(b) Utilization of Provisions made available by other Ministries and Departments

Provisions totalling Rs.14,334,500 had been granted to the Ministry from Ministry of Economic Development for implementation of the Divinaguma Project and Rs.11,573,150 had been utilized out of that provisions.

The following observations are made in this regard.

- (i) A sum of Rs.23,832,000 had been received from the Ministry of Economic Development to the Ministry for implementation of the Divineguama Fisheries Sector Programmes. Due to lack of performance such provisions had been taken back by the Ministry of Economic Development while the provisions of Rs.7,669,565 received in the year 2013 had been incurred for the projects commenced in the year 2012. Out of the advances granted for

the projects relating to the year 2012 sums of Rs.5,940,164 and Rs.1,729,401 had been settled through the Head 139, Ministry of Fisheries and Aquatic Resources Development and Divineguma Programme 2013 respectively. As the non-preparation of proper estimates and the non-maintenance of proper expenditure management in implementation of the projects by the Ministry, it was observed that the proposed targets of the Divineguma Project 2013 had not been achieved.

- (ii) Advances of Rs.45,000,000 had been granted to Aqua Culture Development Authority for payments of finance aid installments to selected beneficiaries under Divineguma Programme 2013. Out of that a sum of Rs.6,645,950 had been utilized for settlement of expenses of the projects implemented under the Expenditure Head of the Ministry of Fisheries and Aquatic Resources Development.
- (iii) The Ministry had settled advances twice by using 3 vouchers amounting to Rs.1,809,000 furnished for settlement of advances obtained for Divineguma Programme by the Aquva Culture Development Authority. As such advances had been settled with an over payment of Rs.1,062,000 erroneously.

(c) Imprest Accounts

The balance of the Imprest Account No.7002/0000/00/0008/0013/000 of the Ministry amounting to Rs.47,637,759 as at 31 December 2013 had not been settled. The 03 years period had elapsed for the advances granted amounting to Rs.10,000,000 on 05 November 2010 to purchase fish and for other daily expenses on pay back agreement by the Ministry to Fisheries Corporation. But the action had not been taken to settle such advances even by 31 December 2013.

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

The following observations are made.

- (i) According to the Reconciliation Statement of the Advances to Public Officers Account, Item No.13901 as at 31 December 2013, the total of the balances outstanding as at that date amounted to Rs.1,468,522. Whereas the follow up action on recovery of such outstanding balances was at a weak level.
- (ii) Action had not been taken in terms of the Section 1.6 of Chapter XXIV of the Establishments Code and the National Budget Circular No.118 of 11 October 2004 to recover the loan balances amounting to Rs.153,526 remained since the period from 1987 to 1994 recoverable from 14 officers transferred out.
- (iii) Even though it was informed by the letter of the Chairman of the Committee of the Settlement of Advances No.1/7/19/special committee dated 28 December 2006 to take actions to recover the loan balances from sureties totalling Rs.45,910 of two officers out of the officers transferred out remained without being settled on various reasons, action had not been taken accordingly.
- (iv) Without taking actions in terms of the provisions of the Section 4.8 of the Chapter XXIV of the Establishments Code the Ministry had failed to recover the loan balances totalling Rs.329,987 recoverable from the officers released to State Corporations, Institutions and Projects.

- (v) Loan balances totalling Rs.127,580 recoverable from 35 officers who retired during the period from the year 1985 to 1991 had remained unrecoverable due to non-taking actions in terms of Sections 4.1 and 4.2 of Chapter XXIV of the Establishments Code.
- (vi) Loan balances amounting to Rs.62,569 recoverable from 10 officers deceased during the period from the year 1986 to 1995 had not been recovered with taking actions in terms of Section 4.4 of Chapter XXIV of the Establishments Code.
- (vii) The loan installments to be recovered from a driver who was interdicted from 01 October 1994 had not been recovered since October 2013 and outstanding loan balance as at the end of the year under review was Rs.14,000.
- (viii) Loan balances amounting to Rs.665,471 recoverable from 24 officers who vacated the posts during the period from the year 1985 to 01 April 2009 had remained outstanding throughout several years. Action had not been taken to recover such loan balances from relevant sureties according to the Sections 4.4.1 and 4.5 of Chapter XXIV of the Establishments Code.
- (ix) Action in terms of Section 4.1 of the Chapter XXIV of the Establishments Code had not been taken to recover the loan balances of Rs.78,754 recoverable from 04 Private Security Officers whose services terminated due to decision of the Cabinet of Ministers with the termination of the official period in the years 1994 and 1995 of a Former Minister.

1.4 Good Governance and Accountability

Internal Audit

The internal audit reports issued to the management for the year under review had not been submitted to the Auditor General.

1.5 Assets Management

The following deficiencies were revealed at the audit test check carried out relating to the assets of the Ministry.

(a) Conduct of Annual Boards of Survey

The following observations are made.

- (i) Action in terms of Financial Regulation 752(2) had not been taken on 46 shortages and 5 excesses pointed out by the Boards of Survey Reports relating to the year 2013.
- (ii) The Boards of Survey Report of the official quarters of the Minister was not completed and the actual balance there on had not been shown.
- (iii) The Boards of Survey Report of the office of the Deputy Minister had not been furnished.

(b) Assets given to External Parties

It was observed that the Ministry had released a motor vehicle to Aquva Culture Development Authority and another motor vehicle to Department of Fisheries and Aquatic Resources irregularly.

(c) Irregular Utilization of Assets belonging to other Institutions

Instances were observed that some assets belonging to other institutions had been utilized without proper authority. Details appear below.

Type of Assets -----	Institution that Assets Owned by -----	Number -----
Motor vehicles	Ceylon Fisheries Corporation	01
	Department of Fisheries and Aquatic Resources	01
	Food and Agriculture Organization	02

(d) Unsettled Liabilities

The unsettled liabilities of the Ministry and the related institutions as at 31 December 2013 amounted to Rs.279,420,369 and the following observations are made thereon.

- (i) A Register of Liabilities had not been maintained as required by the Financial Regulations 214.
- (ii) Liabilities totalling Rs.219,430,504 had been committed exceeding the savings after utilization of the provisions made for 10 objects without complying the provisions of the Financial Regulation 94(1).

1.6 Weaknesses in Implementation of Projects

The following observations are made in this regard.

1.6.1 Achievement of Objectives from Completed Foreign Funded Projects and Non-submission of Reports on Transferring Assets thereon.

The reports relating to achievement of objectives expected from the following foreign funded projects completed and the transferring of the assets purchased for the projects had not been furnished to audit even by 31 December 2013.

Projects	Date of Completion of Project
Tsunami Affected Areas Re-building Project	31.12.2010
Coastal Resources Management Project	30.06.2009
Post Tsunami Livelihood Assistance Co-operation Programme	30.09.2011
Delimitation of outer Edge of Continental Margin Project	31.12.2012

1.6.2 Dickowita Fishery Harbour Project

The following deficiencies were observed at the audit test check carried out on Dickowita Fishery Harbour Project.

(a) Expenditure Contrary to the Objectives of the Project

The following observations are made.

- (i) A sum of Rs.1,737,000 had been paid to Wattala Pradeshiya Sabha for removal of garbage contrary to the objectives of the project.
- (ii) Out of the project funds a sum of Rs.33 million had been paid to a Foundation which was a state company as an advance for settlement of its financial difficulties in the year 2012. A sum of Rs.29,641,352 out of the above advances had not been settled even by the end of the year under review.

(b) Purchases made by the Project

The following observations are made.

- (i) The procurement process should be carried out with maximum economy and at least cost in terms of the Guideline 1.2.1 of the Government Procurement Guidelines. However in purchasing equipment sets for the project, it had been purchased at Rs.32,449,064 with the involvement of

the public company and the transactions had been made as to receive a margin of Rs.1,665,504 to the company out of the above value. Accordingly a sum of Rs.1,655,504 had been paid additionally contrary to the Government Procurement Guidelines and without proper authority.

- (ii) Out of the provisions received for construction of Fishery Harbour a sum of Rs.5 million allocated to purchase required office equipment to maintain the activities of the Fishery Harbour and the goods had been purchased on the requirements of the Lanka Fishery Harbour Corporation. It was observed according to the following matters that the purchases had not been made economically.

- * Despite a cash safe available another safe purchased at Rs.68,628.
- * Despite 15 computers and accessories purchased another 3 computers had been purchased at Rs.230,670.
- * Purchase of 10 IP Phones to the value of Rs.188,809.
- * Despite 02 photocopy machines purchased another photocopy machine had been purchased at Rs.94,080.
- * Four fax machines purchased at Rs.66,080.
- * Twenty three file cabinets purchased at Rs.340,388.
- * Seven computer printers purchased at Rs.330,780.

- (iii) House hold goods and office equipment had been purchased by spending Rs.829,574 six months prior to the end of the project period. In consideration of the time available to be used such goods and equipment it could not be satisfied that the assets had been used effectively for the project objectives.

(c) Ice Manufactory

The following observations are made in this regard.

- (i) One building of machineries of the Ice Manufactory Building constructed by spending Rs.97,149,878 under third stage of Fishery Harbour Project was idle even by 14 October 2014.
- (ii) As the Hoist and Over Head Crane valued at Rs.1,752,920 installed in the Ice Processing Section of the Fishery Harbour was out of order the lease hold institute of Ice Manufactory had purchased a new machine and implemented the operations and a sum of Rs.580,483 had been paid by the project thereon. In this context an agreement had not been entered into on the ownership of the machine and as such there may be a risk of arising a problematic issue relating to the ownership of the respective machine in future.
- (iii) The repairs to be carried out in the rooms of Ice Processing Section which covered by the liability period of the contractor had been carried out by the leasehold institute of the Ice Manufactory. Nevertheless a sum of Rs.1,557,628 had been paid by the project to leasehold institute therefor.
- (iv) Two “Ice Crusher” machines valued at Rs.598,000 were idling throughout the period about 02 years without been utilized.

(d) Unsettled Advances

The following observations are made.

- (i) The advances given to Cey-Nor Foundation Ltd to construct a boat yard had been shown in the advance account by understating Rs.868,460 as at 31 December 2013.

- (ii) The advances granted to Fishery Harbour Corporation amounting to Rs.2,978,060 had been settled. Nevertheless it was settled by Journal entries without submitting settlement vouchers.

(e) Payments for Staff

The following observations are made.

- (i) In terms of the paragraph 4.2.2 of the Management Services Circular No.33 dated 05 April 2007, the project staff should be placed at the initial steps of relevant salary scales and in terms of paragraph 9.1 of the above Circular the salary increments for the project staff should be paid after an evaluation of annual performance. Nevertheless a sum of Rs.287,166 had been paid to the staff as salary increments from June 2011 to December 2013 without carrying out a performance evaluation.
- (ii) Even though the cost of living allowance of the Project Director who was employed on part time basis should be obtained from the permanent service station, a sum of Rs.252,500 had been paid by the project from the month of June 2011 to December 2013.

(f) Vehicle Accidents

The following observations are made in this regard.

- (i) A cab vehicle which met with an accident had been repaired by the agency institution of the vehicle by paying Rs.939,173. Even though the insurance had been claimed from the insurance company to cover the loss, insurance company had rejected the payment of the loss. The driver who deployed in the service on casual basis was responsible for the accident, but he has vacated the service. However action had not been taken to recover the loss incurred from the responsible party for the loss in terms of Financial Regulation 103 and 104.

(ii) A petrol motor vehicle had been obtained on rental basis at the rate of Rs.63,000 per month from 26 July to October 2013 until completion of the repairs of the cab vehicle met with an accident. But, action had not been taken thereon in terms of Guideline 3.4 of the Government Procurement Guidelines.

(g) Payments relating to the Opening Ceremony of the Harbour

The following observations are made in this regard.

(i) The following deficiencies were revealed relating to the payments made to the private institution which made decorations of the Opening Ceremony of Dickovita Fishery Harbour.

* A covering approval to award the contract relating to the decorations of the ceremony had been given to an institution by the Procurement Committee of the Ceylon Fishery Harbour Corporation without calling quotations. The Ministry had paid a sum of Rs.1,898,950 exceeding the approved and agreed amount without made any enquiry on the basis of above approval.

* Even though the payments had been made to the relevant institution by stating that 545 chairs for extra-special guests and special guests and 4,750 ordinary chairs for the ceremonial hall had been supplied for the ceremony, it was revealed that only 260 chairs and 1,800 chairs could have been accommodated according to the stage plan. As such it was observed that a sum of Rs.300,250 had been overpaid for the chairs.

* A total sum of Rs.160,600 comprising Rs.19,800 and Rs.140,800 had been over paid for publishing advertisements of the ceremony in two newspapers respectively.

- (ii) The activity for making metal plaque had been given to lowest quoted institution when given approval of Procurement Committee there to, it was mentioned that a sum of Rs.350,000 should be paid as additional charges and the committee had approved the quoted price. However the details of the additional payment had not been mentioned.
- (iii) Sums of Rs.470,000, Rs.1,500,000, Rs.1,160,000 and Rs.1,000,000 had been paid for 7,500 books including information of fishery harbor, for printing of 100,000 Road Posters, for construction of 4 pandols and for the Souvenir Plaque respectively. However the written evidence for completion of relevant activities had not been furnished to audit.

(H) Construction of Access Road and the Bridge of the Dickovita Harbour

 Provisions of Euro 800,000 had been made as Nevtherlands Government Grant (ORET) for construction of access road to the port and the bridge under the project. However the bridge for access road only had been constructed and due to non-connection of the bridge to the main road it could not have been utilized.

(i) Accounting

 The following observations are made

- (i) Direct expenditure Rs.19,643,222 incurred for the construction of Dickovita Harbour Project had not been disclosed in the financial statements 2013 of the project by the Ministry.
- (ii) Even though the taxes of Rs.74,855,517 and Rs.30,000,000 payable by the project to a construction firm and the Department of Inland Revenue respectively had been written off as over

allocations, the relevant approvals and the reasons were not made available for audit.

(iii) The balance confirmations for receivables amounting to Rs.37,181,079 and payables amounting to Rs.83,223,550 of the project were not made available for audit.

(j) Lack of Evidence for Audit

The written evidence relating to the expenditure amounting to Rs.143,260 reimbursed to the Cey-Nor Foundation Ltd. by the Dickovita Fishery Harbour Project was not made available for audit.

1.7 Performance

The observations relating to the progress of the Ministry according to the Budget Estimate 2013 and the Action Plan are given below.

(a) Planning

The following observations are made.

- (i) Even though the provisions had been made as Rs.6.75 million for the office of the Ministry and Rs.51.7 million for the administration of the Ministry, the action plans for such sections had not been furnished.
- (ii) Plans for availability of human resources, utilization and development for the year 2013 had not been included in the Action Plan.
- (iii) Physical Performance Reports for each activity which included in the Action Plan for the year 2013 had not been furnished to audit.

(b) Non-achievement of Main Functions Adequately

 Observations relating to main activities not adequately performed by the Ministry are given below.

- (i) Due to non-achievement completely to the targets planned for development of fishermen community according to the action plan, a sum of Rs. 180.18 million had only been utilized out of the provisions of Rs.345 million made for Fishermen's Social Development activities.
- (ii) Forty nine per cent only had been implemented in respect of the programme for strengthening the fishermen community in Northern Province and the achievement of due targets of the programme had remained in a weak position.
- (iii) Out of the provisions made for construction of Iranamadu Fish Breeding Centre 20 per cent only had been utilized. Accordingly it was failed to upgrade fish products expected from construction of Fish Breeding Centre and thereby improving rural economy and nutrition level and to research the objective to supply and deposit Fish Breed required for the reservoirs of the area in the year under review.
- (iv) The performance of the project for depositing fingerlings in the fresh water tanks with free of charge to upgrade the fresh water fisheries industry had been only 50 per cent. Accordingly, it was difficult to achieve the targets such as, an alternative source to give animal protein for the community of rural and estate areas who has difficulties to consume saltwater fish, an avenue to supply livelihood support of the rural people and to increase the contribution for the country's export income through the production with export market.

(d) Non-submission of Particulars on Performance

 According to the Procurement Plan, the estimates had been prepared to purchase fisheries tools amounting to Rs.265.5 million. However the actual performance thereon had not been furnished to audit.

1.8 Transactions in Contentious Nature

 Certain transactions carried out by the Ministry were in contentious nature. Particulars of several such transactions revealed at audit test checks are given below.

- (a) A Co-coordinating Secretary to the Minister of Fisheries and Aquatic Resources Development had toured a private tour to China from 01 to 04 November 2012 contrary to the paragraph 2(1) of the Circular No.FPM 01/2010/01 of the Secretary of Finance and Planning dated 11 October 2010, and paragraph 03 and 04 of the Circular No. 1/1/16 of Secretary to the President dated 11 June 2012. In the meantime it was mentioned that he was performed duties for 04 days from 05 to 08 November 2012 and a sum of Rs.241,351 had been paid as subsistence and outfit allowance for 04 days for duties performed without an authority of the Secretary to the Ministry. Similarly the evidence to ascertain that the officer had performed such duties were not made available for audit.
- (b) A sum of Rs.152,000 had been paid from the provisions of the Ministry as air tickets for the tour to Europe of the Chairman of the Ceylon Fisheries Corporation.

1.9 Irregular Transactions

 Several transactions entered by the Ministry were devoid of regularity. Several such instances observed are given below.

(a) Deviation from the Procedure laid down in the Procurement Guidelines

 The following activities had been completed during the year under review under Renovation of the Premises of the Ministry.

Activity -----	Cost -----
	Rs.
Construction of main entrance to the Ministry Building	506,198
Construction of 03 VIP Garage	448,668
Laying concrete in front of the Canteen	495,460

The following observations are made in this regard.

- (i) The estimates and the plans had not been prepared to achieve above activities, and minor procurement committee had approved activities to be achieved by considering the quotations of the institution who under taken the contract as estimates.
- (ii) In this approval, the Procurement Committee had not obtained recommendations of a Technical Evaluation Committee.
- (iii) The above activities had been performed contrary to the Guidelines 3.3 and 3.4 of the Government Procurement Guidelines.
- (iv) The above activities had been performed as urgent Procurement works contrary to the Guideline 3.8 of the Government Procurement Guidelines.
- (v) Action in terms of Financial Regulations 770 and 772 had not been taken in selling 02 old metal doors which dismantled when constructions made for main entrance of the Ministry Building.

1.10 Losses and Damage

Observations on losses and damage revealed at audit test checks are given below.

(a) Register of Losses

The Register of Losses that should be prepared by the Ministry in terms of Financial Regulation 110 had not been furnished to audit.

(b) Losses incurred on Vehicle Accidents

The following observations are made.

- (i) Twelve motor vehicles of the Ministry had met with accidents in the year 2012 while the particulars of such accidents had not been shown in the Statement of Losses and Waived Off in the Form D G S A 7 in the Appropriation Account of the year 2013 or in the Statement of Written off from the books, D G S A 7 (1).
- (ii) Instead of recover from the responsible parties it was decided to write off the losses which could not be covered by the insurance totalling Rs.135,280 relating to 03 vehicle accidents out of above 12 accidents.
- (iii) Actions taken relating to the losses and damages caused to the Ministry in vehicle accidents and other activities in terms of Financial Regulations 102 to 113 had been at a very weak level.

1.11 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2013 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	21	18	03
(ii) Tertiary Level	05	01	04
(iii) Secondary Level	124	77	47
(iv) Primary Level	54	53	01
(v) Others (Casual/Temporary/ Contract basis)	07	07	-
Total	211	156	55

The Ministry had not taken action to fill 55 vacancies by the end of the year under review.

(b) Irregular Release of an employee to another Department

An office aide had been released to Department of Fisheries and Aquatic Resources improperly for the period of 07 July 2010 to 31 December 2013 by the Ministry.

2. Head 290 - Department of Fisheries and Aquatic Resources

2.1 Scope of Audit

The audit of the Appropriation Account and the Revenue Account including the financial reports, reconciliation statements, books, registers and other records of the Department of Fisheries and Aquatic Resources for the year ended 31 December 2013 was carried out in pursuance of provisions in 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 Head of the Department on 11 November 2014. 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.

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

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the 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

According to the Financial Reports and the Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (e) and the other major audit findings appearing in paragraphs 2.4 to 2.10 herein, the

Appropriation Account, Revenue Account and the Reconciliation Statements of the Department of Fisheries and Aquatic Resources had been prepared satisfactorily.

(a) Budgetary Variance

The following observations are made in this connection.

- (i) The entire net provisions of Rs.277,000,000 made for one Object had been saved.
- (ii) Excess provisions had been made for 07 Objects and as such the savings after utilization of provisions had been transferred to other Objects and the provisions transferred as above were ranged from 20 per cent to 70 per cent.
- (iii) Due to non-adequacy of estimated provisions for 07 Recurrent Objects and 05 Capital Objects, the provisions had been transferred from other Objects through Financial Regulation 66 and the provisions transferred were ranged from 11 per cent to 300 per cent of the original estimates.
- (iv) According to the Financial Regulation 50(1), when preparing annual expenditure estimates, the Accounting officer is responsible particularly to ensure that all services which can be reasonably foreseen are included in the Estimates and that they are within the capacity of his Department during the financial year. Nevertheless provisions of Rs.300,000,000 had been made for Object 290-01-01-7-2502 to provide relief to the fishermen who affected by fuel price increases. Out of such provisions a sum of Rs.23,000,000 had been transferred to other Objects without utilizing such provisions to fulfill such objectives in the year under review and the provisions of Rs.277,000,000 had been shown as savings.

(b) Utilization of Provisions made available by Other Ministries and Departments

 Provisions totalling Rs.55,676,097 had been given to the Department by another Ministry and four Departments for various purposes and a sum of Rs.55,539,439 comprising Rs.47,367,254 and Rs.8,172,185 respectively had been utilized. Accordingly provisions of Rs.109,658 given by that Ministry and provisions of Rs.27,000 given by a Department had not been utilized for relevant purposes.

(c) General Deposit Account

 Action in terms of Financial Regulation 571 had not been taken on 12 deposits remained for over 02 years totalling Rs.1,128,990.

(d) Revenue Accounts

 The following observations are made in this connection.

- (i) The estimated revenue from Licenses of Issuing Hygenic Certificates was Rs.5,200,000 and the collected revenue was Rs.4,202,000. Accordingly the revenue collected was less than the estimated revenue by Rs.998,000.
- (ii) According to the Revenue Account of Revenue Code No.10.03.07.06 the collected revenue in the year 2013, amounted to Rs.10,838,496 and such revenue collected for preceding year amounted to Rs.4,504,500. Accordingly, the collected revenue during the year under review had increased by Rs.6,333,996 or 140 per cent as compared with the preceding year. Even though it was mentioned that the reason for the revenue variance was in the year 2013 as compared with the year 2012 had been the increase of license fees by Gazette Notifications issued in the months of October 2012 and 2013, no effect had arisen by such Gazette Notifications to increase of revenue for 4 revenue sources amounting to Rs.1,639,600. Accordingly the reason for the increase of revenue shown in the Revenue Account could not be accepted.

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

The following observations are made.

- (i) According to the Reconciliation Statement of the Advance Account, Item No.29001 as at 31 December 2013, the balances outstanding as at that date totalled Rs.2,477,327.
- (ii) In terms of Section 1.6 of Chapter XXIV of Establishments Code and the National Budget Circular No.118 of 11 October 2004, it should not be shown in the reconciliation statements, the unsettled loan balances between the Departments after 03 months since the date of the station transfer of an officer. Nevertheless it was delayed a period of 05 months and 06 months to settle the loan balances of two officers who transferred out from the Department totalling Rs.268,850.
- (iii) In terms of Sections 4.1 and 4.2 of the Chapter XXIV of the Establishments Code loans to be recovered from the officer due to terminate by retirement, the recovery of the loan may be completed in a smaller number of installments than stipulated in order to accommodate the officer of the officer's choice or all particulars of the loans to be recovered from the officer should be informed to the Director General of Pensions to enable to recover from the commuted pension of the officer. However action had not been taken accordingly and as such loan balances of two retired officers totalling Rs.46,669 had not been settled.
- (iv) When any dues to the Government cannot be recovered from the principal debtor it should be recovered from the surety in the same manner as provided for in the case of principal debtor in terms of the Sections 4.4.1 and 4.5 of the Chapter XXIV of the Establishments Code. However necessary action had not been taken to recover loan balances of Rs.396,852 in respect of 10 officers who vacated the posts.

- (v) Any installment of the outstanding loans of 06 interdicted officers amounting to Rs.654,410 had not been recovered during the year under review and action had not been taken to recover the loan balances by inquiring the present position of the Service of said officers as well.
- (vi) According to the age analysis of the debtors it was ensured, 23 per cent or loan balances of Rs.567,997 had remained without being settled out of the total outstanding loan balances of the officers not in the Departmental service.

2.4 Accountability and Good Governance

2.4.1 Internal Audit

Even though it was established an internal audit unit, an internal audit for the year under review had not been carried out.

2.5 Assets Management

The following deficiencies were observed according to the audit test check carried out on the assets of the Department.

(a) Conduct of Annual Boards of Survey

The following observations are made.

- (i) In terms of Public Finance Circular No.441 of 09 December 2009 as amended by letter No.PF/Board of Survey/01 of Director General of Public Finance dated 17 December 2010, the Annual Boards of Survey for the year 2013 should be conducted and such reports should be furnished to Auditor General before 15 March 2014. However the Boards of Survey Reports of the Head Office and the District Fisheries Offices had been furnished to audit in several instances after 12 May 2014.

- (ii) The Inventory Registers of the Industrial Section had not been maintained properly and the Boards of Survey Report furnished to audit had not been completed as well.
 - (iii) All stores received to the Department should be included in the Inventory Register immediately in terms of the Financial Regulation 751. Nevertheless 698 items which not included in the Inventory Register had been identified as excess goods in the Boards of Survey.
 - (iv) Action in terms of Financial Regulation 757 (2) had not been taken on excesses and shortages reported in the Boards of Survey Reports.
- (c) Assets given to External Parties

Action had not been taken to obtain a double cab vehicle given to the Ceynor Foundation Ltd on temporary basis from 22 June 2010 and a van given for a period of 02 months from 10 July 2013 by the Department.
- (d) Irregular use of Assets belonging to other Institutions

Action had not been taken to transfer a cab vehicle given by the Food and Agriculture Organization in the year 2006 to the Department.

2.6 Non-compliances

- (a) Non-compliance with Laws, Rules, Regulations etc.
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Instances of non-compliance with the provisions of laws, rules and regulations observed during audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non – compliance
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	Rs.	
Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(a) Financial Regulation 94 (1)	4,160,142	Liabilities had been committed exceeding the savings after utilizations of the provisions made for 13 Objects in the year under review.
(b) Financial Regulation 371 (a)	103,500	Fuel advances given in 08 instances had been settled with a delay of a period ranging from 16 days to 33 days.

2.7 Weaknesses in Implementation of Projects

The following observations are made relating to the projects completed by the Department in the year under review.

(a) Loan Scheme of Divineguma Fisheries Post Harvest Technology Project

Granting loans to 2675 beneficiaries who obtained technological training in 15 districts at the rate of Rs.10,000 had been commenced in the year 2012 by this project and provisions of Rs.26.75 million had been made by the Ministry of Economic Development thereon. The following observations are made in this connection.

- (i) A sum of Rs.13 million approximately out of the above provisions had not been issued even by July 2013 while the progress of granting loans had been about 45 per cent even after one year had elapsed from granting

provisions. Further a sum of Rs.10 million had been returned back to the Ministry of Economic Development.

- (ii) The loan project had been implemented as a Revolving Fund and loans amounting to Rs.18,420,000 had been granted to 1842 beneficiaries as at 31 December 2013. That was 71 per cent of the expected target.
- (iii) Five hundred and thirty five loan beneficiaries or about 30 per cent of the beneficiaries had deferred or delayed the payment of loan installments totalling Rs.1,334,935 while the participation of regional level officers of the Department of Fisheries and Aquatic Resources relating to the recovery of loan installments had been at a very weak level.

(b) District Co-operative Societies Loan Revolving Fund Project

The following observations are made.

- (i) This loan project had been implemented as Revolving Loan Supply Project in the Districts of Trincomalee and Puttalam.
- (ii) Even though a maximum loan could be issued at a time was Rs.10,000 to its member Fisheries Co-operative Society by a District Co-operative Society, 4 District Co-operative Societies had issued loans from Rs.150,000 to Rs.1,370,000 to 12 member Co-operative Societies.
- (iii) The maximum period for payback loan by a Member Co-operative Society should be one year. Nevertheless the loans totalling Rs.611,678 obtained by 08 member Co-operative Societies had not been paid back even by 31 December 2013. The period of the loan obtained had been ranged from 01 year to 03 years.

- (iv) The presentation of the monthly progress reports relating to the loans to District Co-operative Societies by the Member Fisheries Co-operative Societies had been at a weak level.

2.8 Performance

The observations on progress of the Department according to the Annual Budget Estimate 2013 and the Action Plan are given below.

(a) Key Activities not carried out Adequately

The Department had not carried out key activities adequately and several such instances observed are given below.

- (i) The Information Programmes of the Fisheries Section had been planned under Object 290-01-01-2401 according to the action plan, and provisions of Rs.4.5 million had been obtained. Such programmes had been limited to save the provisions and a sum of Rs.2 million had been transferred through Financial Regulation 66 to vehicle repairs. As such the expenditure under that Object had been Rs.2.5 million.
- (ii) According to Financial and Physical Performance Report of the Department, physical performance of the completion of expected targets of 19 programmes included in the action plan had been ranged from 15 per cent to 75 per cent while the financial performance of the completion of expected targets of 04 programmes had been ranged from 16 per cent to 60 per cent.

(b) Planning

The following observations are made.

- (i) In terms of the paragraph 1.4.1 of the letter of the Director General of Public Finance No.PF/R/2/2/3/5 (4) dated 10 March 2010 the action plan for the year under review had been prepared in compliance with the budget provisions of the Department. Nevertheless due to non-

implementation of the activities according to such action plan, the provisions relating to 6 Objects ranging from 14 per cent to 95 per cent had to be transferred through Financial Regulation 66. Therefore the implementation of the action plan had been in a weak level practically.

(ii) It was observed that action had not been taken in compliance with the action plan in following instances.

* Even though provisions of Rs.2.5 million had been made under Object 290-01-01-2502 for issuance of 1000 certificates under the programme of “Introduce Competency Certificate for Skippers”, such project had not been implemented.

* Even though provisions of Rs. 8 million had been made for constructions of the Kilinochchi District Office, the completion of such activity had failed in the year under review and a part of such activity had been achieved by spending Rs.2,759,864.

(iii) Even though 38 officers had been referred to the foreign training under the programme of “Training Capacity Building for Fisheries Officers – foreign ”, neither such training had been planned or such programmes had been included in the action plan. Even though provisions of Rs.2.8 million had been made thereon under Object 290-01-01-1102, a sum of Rs.4.266 million had been spent.

2.9 Transactions of Contentious Nature

 Certain transactions carried out by the Department were of contentious nature. Several such transactions revealed at audit test checks are given below.

(a) Issuance of licenses to Export Sea Licks and Conch Shells

The following observations are made in this connection

- (i) According to the provisions of the Fisheries and Aquatic Resources Development Act. No 02 of 1996, the issuance of licenses for catching, collection, storage, transportation and export of sea licks and conch shells had been assigned to Director General of Department of Fisheries and Aquatic Resources. Nevertheless the Fisheries Corporation had entered into agreements with the private institutions to carry out activities from catching to exporting of sea licks and conch shells. No legal action whatsoever had been taken by the Director General relating to the above activity which carried out by the Ceylon Fisheries Corporation for which no any legal right.
- (ii) The Department of Fisheries and Aquatic Resources had issued licenses to fish exporters with a charge only for exporting sea licks at the rate of Rs.10 per kilogram. Despite the issuance of licenses as above, the Fisheries Corporation had also entered into agreements with such export companies and a sum of Rs.500,000 per month had been charged from each company for agreed period of 03 months. Action had been taken to charge at the rate of Rs.100 per kilogram for exporting conch shells and sea licks based on the decision of the Ministry. Even though the Ministry had prepared laws and rules to manage the fish resources on a system of concessionary rates, any enquiry had not been made by the Department in respect of entering into agreements and charging higher amounts prices as above by the Ceylon Fisheries Corporation.

2.10 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2013 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	56	25	31	-
(ii) Tertiary Level	16	08	08	-
(iii) Secondary Level	608	460	148	-
(iv) Primary Level	107	89	18	-
(v) Absorbed from Department of Coast Conservation *	42	40	-	-
(v) Others (Contract basis)	-	01	-	01
Total	829	623	205	01

* This is a recruitment as limited only to 4 Sergeant and 38 Security Guards of the Department of Coast Conservation absorbed on the approval of the Cabinet of Ministers No.CM/11/2000/532/031 dated 11 October 2012.

Action had not been taken to fill 205 vacancies as at the end of the year under review by the Department.