

National Aquatic Resources Research and Development Agency

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the National Aquatic Resources Research and Development Agency had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the National Aquatic Resources Research and Development Agency as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.2 Comments on financial statements

1.2.1 Non-compliance with Accounting Standards

Research and development expenditure should be classified and presented in terms of Sri Lanka Accounting Standard 37 but the research and development expenditure amounting to Rs.38,727,358 had been shown under one item in the financial statements presented.

1.2.2 Accounting Policies

The following matters were observed.

- (a) The policy on the provision for bad and doubtful debts of the Agency had not been disclosed.
- (b) Action had not been taken in terms of accounting policy No.6.5 stated in the financial statements presented in respect of non-refundable deposit of Rs.22,582 remaining for over 03 years.

1.2.3 Accounting Deficiencies

Advances of Rs.272,160 paid for the installation of a accounting software had been brought to account as accrued expenses while it was brought to accounts as advances as well.

1.2.4 Non-reconciliations

A difference of Rs.118,664 was observed between the balances shown in the financial statements and the schedule in the stores in respect of 06 items of closing stock.

1.2.5 Accounts Receivable

According to the debtors age analysis presented the value of balances not recovered for a long time amounted to Rs.3,481,869 , out of which a sum of Rs.2,074,142 had remained unrecovered for more than 5 years, representing 60 percent of the debtors.

1.2.6 Accounts Payable

- (a) According to the creditors age analysis, the balances outstanding for a long time amounted to Rs.11,725,333 out of which a sum of Rs.2,051,566 had remained unsettled for more than 4 years; representing 17 percent of the total creditors.

- (b) Unclaimed payment amounting to Rs.87,212 remained for more than 2 years had been continuously shown in the accounts without being taken in to revenue.

1.2.7 Lack of evidence for audit

The following items of accounts could not be satisfactorily vouched or accepted in audit due to non-availability of the following evidence.

- (a) Files in respect of maintenance expenses incurred on motor vehicles costing Rs.48,026,184 disposals relating to 10 vehicles and 04 vehicle accidents were not made available for audit.
- (b) Recruitment files in respect of 14 research officers recruited during the year under review were not made available for audit.
- (c) The file in connection with the expenditure of Rs.1,323,844 incurred on the construction of a barbed wire fence at the Kalpitiya office was not made available for audit.

1.2.8 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliances observed in audit are given below.

Reference to Laws, Rules and
Regulations etc.

Non-compliance

-
- (a) Section 11(6) of the Finance Act
No.38 of 1971

A sum of Rs.5,017,574 had been invested in fixed deposits without getting the approval of the relevant Minister and the Minister of Finance.

- (b) Treasury circular No. 842 of 19 December 1978 A Register of Fixed Assets had not been maintained properly.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

According to the financial statements presented, the operations of the Agency had resulted in a deficit of Rs.39,167,043 for the year ended 31 December 2010 as compared with the deficit of Rs.30,039,707 in the preceding year, thus indicating an improvement in the deficit of the financial results by Rs.9 million. Decrease in revenue and increase in research expenditure and repair expenditure had been the main reasons for it.

2:2 Operating Review

2:2:1 Performance

The following matters were observed.

- (a) Researches carried out during the year under review amounted to 29 and 100 percent progress had been achieved only by 4 researches.
- (b) The financial provisions of certain researches had been exceeded the expected targets, before reaching the physical progress of those researches and the financial progress of 29 researches is given below.

Percentage of Financial Progress

No. of Researches

| ----- | ----- |
|--|-------|
| % | |
| Expenditure incurred for more than 100 | |
| (Exceeded the expected targets) | 07 |
| 100 – 80 | 03 |
| 79 -60 | 10 |
| 59 – 40 | 06 |
| Less than 40 | 03 |
| | ----- |
| Total | 29 |
| | ===== |

It was observed that there were weaknesses in estimating and management of expenditure.

2.2.2 Management Inefficiencies

The following observations are made.

- (a) Without taking action to recover the balances of book loans, bicycle loans and distress loans totalling Rs.5,584 , provision had been made as bad and doubtful debts.
- (b) Action had not been taken to recover distress loan balances of Rs.204,875 from the seven relevant employees.
- (c) A sum of Rs.1,285,604 as salaries and a sum of Rs.325,924 as travelling expenses had been paid to the officers who had been released to outside parties during the year under review by the Agency.

- (d) The supply of security services had been obtained from the Fisheries Harbour Corporation since several years without calling for market quotations and a sum of Rs.4,418,684 had been paid for providing the security services during the year under review. Services had been obtained in excess of market prices and security officers had been employed without enquiring the requirement from the Agency.
- (e) Action had not been taken to lodge insurance claims in respect of losses caused to two vehicles by accidents during the year under review.

2.2.3 Identified Losses

The following matters were observed.

- (a) Discount benefits of Rs.57,198 could not be obtained due to non-payment of water charges on due dates.
- (b) Eventhough the tax exemption had been obtained by the Agency, the recovery of withholding tax on services provided to external parties amounting to Rs.969,607 was allowed to be deducted from the service income.

2.2.4 Payments Contrary to Objectives

The following expenditure had been incurred for purposes extraneous to the objectives of the establishment of the Agency.

- (a) An expenditure of Rs.589,688 had been incurred on an entertainment.
- (b) Employees of the staff had been released from the agency works and deployed to operate the canteen and the camp by the authorities and a sum of Rs.559,035 had been paid to them as salaries and overtime during the year under review.

2.2.5 Idle Assets

Bank balances of Rs.12,959 in 4 bank current accounts which had not been used for operational activities for more than 5 years had remained idle.

2.2.6 Human Resources Management

Approved cadre and Actual cadre

The cadre position as at 31 December 2010 is given below.

| Particulars | Approved cadre | Actual cadre | No. of vacancies |
|-----------------|----------------|--------------|------------------|
| Staff Grade | 40 | 25 | 15 |
| Non-staff Grade | 354 | 282 | 72 |
| Total | 394 | 307 | 87 |

3. Systems and Controls

Deficiencies observed in systems and controls during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Vehicles Maintenance
- (b) Human Resources Management
- (c) Construction Contracts
- (d) Balances Receivable
- (e) Balances Payable