

National Aquaculture Development Authority

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 Aquaculture Development Authority of Sri Lanka 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 Aquaculture Development Authority of Sri Lanka 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 Sri Lanka Accounting Standards (SLAS)

The following non-compliances were observed.

- (a) Even though the assets should be depreciated since the date of purchase in terms of SLAS 18, the Authority had depreciated its assets for the full year of purchase.
- (b) In preparing the cash flow statement, the amount generated from investment and financing activities had not been disclosed from the cash flow statement in terms of SLAS 09.

1.2.2 Omissions from Accounts

The cash book balance of the bank account No. 103-1003-9-3320761 amounting to Rs.385,769 as at 30 December 2010 had been omitted from financial statements.

1.2.3 Inappropriate Disclosures

As the credit balances of Rs.868,089 in the deposits made by external parties had been deducted from current liabilities, those balances had been omitted from current liabilities thus understating the current liabilities by that amount.

1.2.4 Unreconciled Accounts Balances

According to the financial statements, a difference of Rs.749,146 was observed between the following accounts balances and the balances in the relevant schedules.

Item	Balance as per financial statements	Balance as per Schedule	Difference
-----	-----	-----	-----
	Rs.	Rs.	Rs.
Advances for local purchases	5,864,525	5,865,400	876
Distress loans	13,523,338	13,348,283	175,054
Fuel advances	987,627	431,036	556,591
Bicycle loans	113,625	130,250	16,625
	-----	-----	-----
	20,489,115	19,774,969	749,146
	=====	=====	=====

1.2.5 Accounts Receivable and Payable

- (a) According to the agreement entered into with twenty five fisheries groups, the cost incurred by the Authority for the establishment of a fish seed manufacturing unit, should be recovered by installments from the seed manufacturing organizations. The amount so recoverable as at the end of the year under review amounted to Rs.3,170,196 and action had not been taken to recover same.
- (b) Action had not been taken to recover the loan balance of Rs.2,316,597 due as at the end of the year under review, out of the amount given on loan basis to the seed fish manufacturing organizations for "Fry" and it had elapsed for a period of 1 ½ years.
- (c) According to the partnership agreement entered into with a private institution by the Authority, a monthly lease rental of Rs.309,166 due since January 2010 and the total dues to the Authority as at the end of the year under review amounted to Rs.2,091,660.
- (d) Due to renting the fresh water fishery centre in Polonnaruwa to a private party, the amount receivable as at the end of the year under review since October 2007 was Rs.669,375.
- (e) A sum of Rs.80,830 receivable from extension officers of the Authority on account of Ornamental Fish given on credit basis had not been recovered.
- (f) Instalments of Rs.3,170,196 recoverable as at the end of the year under review from 25 organizations to which 25 seed breeding units constructed and handed over by incurring a cost of Rs.11,094,329 by the Authority under the installation of small scale fish seeds manufacturing units had not been recovered.

1.2.6 Lack of Evidence for Audit

Balances of Rs.707,899,250 included in the financial statements for the year under review presented for audit by the Authority could not be satisfactorily vouched in audit due to lack of the following evidence.

Particulars	Value	Evidence not made available for audit
-----	-----	-----
	Rs.	
(i) Salaries and Wages payable	566,093	(i) Schedules (ii) Age analysis
(ii) Cancelled cheques	552,652	Schedules and the file
(iii) Fixed Assets	706,780,505	(i) Register of fixed assets (ii) Board of survey reports

	707,899,250	
	=====	

1.2.7 Non-compliance with laws, Rules, Regulations and Management Decisions

Reference to laws, rules, regulations etc.,	Non-compliance
-----	-----

(a) Financial Regulations of the Democratic Republic of Sri Lanka (F.R.)

F.R. 177

According to a test check a sum of Rs.42,204 collected by the Rambodagalla centre had been deposited after delays of 06 to 13 days in 7 instances.

F.R. 394 (a), (b)

Eventhough the reasons for the cancellation of cheques should be noted in the cheque counterfoil, examined and filed , it had not been complied with in respect of cancellation of cheques valued at Rs.2,648,323.

F.R. 394 (c)

Action had not been taken to credit the value of cancelled cheques amounting to Rs.552,652 to government revenue.

F,R, 225 (1) and 232 (2)

Numbering the vouchers, certification of expenditure, checking the payment and writing the amount in numbers and in words had not been done in rendering paid vouchers for payment.

(b) Establishments Code of
the Democratic Republic
of Sri Lanka

Section 10 (1) of
Chapter 2

Eventhough the medical report should be compulsorily forwarded within a month since the date of appointment , it had not been complied with in respect of 25 files as per a test check.

Chapter 06

Although the History sheet had been filed they had not been updated.

- (c) Public Enterprises An additional fuel valued at Rs.115,600 had been used by 2 officers who were entitled for official vehicles from January to May 2010 in excess of the monthly fuel allowances.
- Circular No. PED/50 of 28 July 2008

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

According to the financial statements presented, the operation of the Authority for the year ended 31 December 2010 had resulted in a deficit of Rs.47,757,735 as compared with the deficit of Rs.27,561,973 , thus indicating an increase of Rs.20,195,762 in the financial results. The percentage of the increase had been 136 per cent.

- (a) The total income of the year under review had deteriorated by Rs.35,525,664 as compared with that of the year 2009 representing 15 percent. Decrease in government grants and decrease in income from prawn cultivation and the free issue of ornamental fish had been the main reasons for this deterioration.

- (b) The following expenditure of the Authority had been increased as compared with that of the year 2009.

Item	2009	2010	Difference as a percentage
-----	-----	-----	-----
	Rs.	Rs.	
Overtime	6,503,377	14,224,038	119
Communication	1,934,243	2,041,667	6
Cleaning	1,020,052	1,982,640	94
Publicity	232,287	920,053	296

2.2 Operating Review

2.2.1 Performance

Brackish fish and fresh water fish productions in the years 2009 and 2010 are given below.

Year	Brackish Fish Production	Fresh Water Fish Production
-----	-----	-----
	MT	MT
2009	293,170	46,560
2010	330,240	51,390

Growth in the brackish fish production and the freshwater fish production had been 13 percent and 10 percent respectively as compared with that of the year 2009.

2.2.2 Management Inefficiencies

The following observations are made.

- (a) No pay leave had been granted to an officer who had reported for duties of the Authority in June 1999 for a period of 3 years from 15 March 2007 to 14 March 2010 for an overseas job. According to the agreement a security bond had been signed between the Authority and the officer for a compulsory period of 4 years and a bond value of Rs.226,560. Eventhough the 3 year period had elapsed by 15 March 2010, he had not reported for duties up to now and the Authority had not taken any action in that regard.

- (b) The Authority had signed an agreement with a private company to improve the prawn cultivation on reimbursement basis. According to the agreement, a sum of Rs.3,161,000 had been given to the private company in agreement with the reimbursement of 80 percent of the profit earned by improving the prawn cultivation and modernization by instalments. However, action had not been taken to obtain the Authority's share of profit earned during the years 2009 and 2010.
- (c) Seven mud ponds established in the Rambodagalla ornamental fish breeding centre had become very old. Due to pumping water into the ponds and removal water from ponds had to be done by using electricity as a result of seeping water and inoperative of sluices, the cost of the Authority had been increasing.
- (d) Due to non-availability of sufficient number of tanks for the purpose of fish breeding and storage in the Rambodagalla breeding centre, the fish breeding activities had been limited.
- (e) Eventhough it was stated in the internal Circular of 06 July 2010 that the distribution of ornamental fish should be done only to the registered fish plantors in the Authority since 01 September 2010 according to the chronological order of requests, such a registration book had not been maintained by the Authority.
- (f) As the income and expenditure had not been posted centrewise seperately, it could not be determined the success and progress of the benefits reached on cost incurred by 09 centres of the Authority.
- (g) The vehicle bearing No. NA - 5455 had been driven on 12 April 2010 to the Kalawewa Training centre from Negombo area through Thudella without prior approval and without mentioning the official requirement.

- (h) The vehicle bearing No. NA - 5455 of the Authority had been driven by an outside driver who was not a driver of the Authority for 11 days without an approval and the vehicle had been parked outside the office premises.
- (i) Eventhough it was proposed to rent a land on a lease basis from a private institutions for the strengthening of Rambodagalla fish breeding centre, it had not been taken on lease for more than 2 years and a sum of Rs.172,000 had been paid as rent and deposits during that period. This rent agreement had not been enforced even during the year under review.
- (j) Certificates to be issued to the trained personnel had been stored unprotected and the certificates with printing mistakes had been stored without being destroyed.

2.2.3 Identified Losses

Eventhough a sum of Rs.38,270 had been spent for advertising tenders for the sale of fittings valued at Rs.641,175 belonging to the Authority existed in the building in shifting the Head office of the Authority to Palawatta the relevant files were not made available for audit and those fittings had not been brought to the new building located at Pelawatta. Those assets had been misplaced but action had not been taken in terms of F.R. 104.

2.2.4 Idle Assets

The motor cycle bearing No. 101-6648 had been parked in the stores without being used.

3. **Systems and Control**

Weaknesses in systems and controls were brought to the attention of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Deposits
- (b) Debtors
- (c) Fisheries products
- (d) Income
- (e) Vehicles
- (f) Assets
- (g) Leasing