

Head 139 - Report of the Auditor General of the Ministry of Fisheries and Aquatic Resources Development and the Department under the Ministry – Year 2012

This report comprises two Parts.

Part 1 - Summary Report on the Accounts of the Ministry and the Department under the Ministry

Part 2 - The Detailed Report on each Head

Part I

The 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	Name of Department
290	Department of Fisheries and Aquatic Resources

2. Accounts

2:1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the Ministry and the Department of Fisheries and Aquatic Resources under the Ministry amounted to Rs. 3,875,798,227 and out of that a sum of Rs.2,985,926,668 had been utilized by the end of the year under review. Accordingly, the savings from the total net provisions of the Ministry and the Department amounted to Rs.837,441,697 and Rs.52,429,862 respectively and that represented 25 per cent and 10 per cent respectively of the total net provisions. The details appear below.

Head	Ministry/ Department	Net Provision as at 31 December 2012		Utilization as at 31 December 2012		Savings as at 31 December 2012	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
139	Ministry of Fisheries and Aquatic Resources Development	597,023,570	2,746,949,657	576,025,003	1,930,506,527	20,998,567	816,443,130
290	Department of Fisheries and Aquatic Resources	448,625,000	83,200,000	443,144,638	36,250,500	5,480,362	46,949,500
	Total	<u>1,045,648,570</u>	<u>2,830,149,657</u>	<u>1,019,169,641</u>	<u>1,966,757,027</u>	<u>26,478,929</u>	<u>863,392,630</u>

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

Provisions totalling Rs.145,527,020 as shown below had been available by two other Ministries and a District Secretariat for various purposes and the particulars of utilization of those are given below.

Ministry/District Secretariat	Provision Received	Actual Expenditure	Savings (As at 31 December 2012)	Observations on Savings in brief
	Rs.	Rs.	Rs.	
Ministry of Defense and Urban Development	2,205,020	2,205,020	--	--
Ministry of Economic Development	143,275,000	119,443,000	23,832,000	The sum of Rs.23,832,000 saved as at the end of the year under review from the provision received for the implementation of the DiviNeguma Project had been returned to that Ministry as informed by that Ministry.
District Secretariat, Kalutara	47,000	22,000	25,000	The money saved from the money made available for the payment of salaries to the Graduate Trainees had been returned.
Total	<u>145,527,020</u>	<u>121,670,020</u>	<u>23,857,000</u>	

2:2 Revenue Accounts

2:2:1 Estimated and Actual Revenue

The Department of Fisheries and Aquatic Resources under the Ministry had prepared an estimate of Revenue amounting to Rs.6 million under 01 Revenue Code for the year 2012 and revenue amounting to Rs.4.5 million had been collected. As such 75 per cent of the estimated revenue had been collected. The details appear below.

Revenue Officer	Accounting	Revenue Code	Estimated Revenue	Actual Revenue	Under-Collection	Percentage
			Rs.	Rs.	Rs.	
Director General of Fisheries and Aquatic Resources		10-03-07-06	6,000,000	4,504,500	1,495,500	25

2:3 Advance Accounts

2:3:1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by the Parliament for the Advances to Public Officers Accounts of the Ministry and the Department under the Ministry had been complied with. The details appear below.

Head	Item Number	Expenditure		Receipts		Debit Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
139	13901	6,300,000	4,320,580	3,800,000	4,808,523	38,000,000	25,040,521
290	29001	19,000,000	10,164,627	14,000,000	18,296,101	112,000,000	70,221,494

2:4 Imprest and General Deposit Accounts

(a) Imprest Accounts

A debit balances of Rs.85,914,525 existed as at 31 December 2012 in the Imprest Account of the Ministry of Fisheries and Aquatic Resources Development.

(b) General Deposit Accounts

The balances of the General Deposits Accounts of the Ministry and the Department under the Ministry as at 31 December 2012 totalled Rs.49,049,044. The details thereon are given below.

Ministry/ Department	Account Number	Balance as at 31 December 2012
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		Rs.
Ministry of Fisheries and Aquatic Resources Development	6000/0000/00/0015/0051/0001	17,727,148
	6000/0000/00/0015/0051/0003	7,413,406
	6000/0000/00/0015/0051/0004	15,200,641
Department of Fisheries and Aquatic Resources	6000/0000/00/0015/0145/000	7,701,287
	6000/0000/00/0006/0073/000	1,002,425
Total		49,044,907
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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 the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Fisheries and Aquatic Resources Development for the year ended 31 December 2012 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 26 August 2013. 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 the Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory provisions and 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 Observations

According to the Financial Records and Books as at 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (e) and other major audit findings appearing in paragraphs 1:4 to 1:12 herein, the Appropriation Account and the Reconciliation Statement of the Ministry of Fisheries and Aquatic Resources Development had been prepared satisfactorily.

(a) Budgetary Variance

- (i) Excess provisions had been made for 02 Objects and the savings after the utilization of provisions represented 99 per cent of the net provisions relating to those Objects.
- (ii) Deficient estimates had been prepared for 10 Objects and as such provisions from other Objects had to be transferred under Financial Regulation 66 and that ranged between 24 per cent and to 152 per cent from the original estimates.

(b) Provisions obtained under the Budget Support Services and Contingent Liabilities Project

Even though provision of Rs.44,000,000 comprising Rs.14,000,000 under Financial Regulation 66 and a sum of Rs.30,000,000 from the Supplementary Estimates Allocations had been obtained for the Ornamental Fish Cultivation Development Project of the Ministry of Fisheries and Aquatic Resources Development, only a sum of Rs.29,997,210 or 68 per cent had been utilized.

(c) Imprest Account

- (i) The imprest balances which should have been settled by the Ministry as at 31 December 2012 but not settled even by 30 April 2013 totalled Rs.78,877,800.

- (ii) This imprest balance included an unsettled advance balance older than 02 years amounting to Rs.10,000,000 granted to the Ceylon Fisheries Corporation on 05 November 2010 for the purchase of fish and for other daily expenses.
- (iii) Even though the imprest balance as at 31 December 2012 according to the Ministry books amounted to Rs.85,914,524 according to the Treasury books that amounted to Rs.85,402,341. Action had not been taken to identify and rectify the difference of Rs.512,183.

(d) General Deposit Account

- (i) The balance of the Deposit Account as at 31 December 2012 according to the Ministry books amounted to Rs.40,341,195 whereas according to the Treasury books, the balance amounted to Rs.39,829,012. The difference of Rs.512,183 between the balances had not been reconciled.
- (ii) The non-refundable bid deposits amounting to Rs.85,517 obtained in the sale of unused motor vehicles taken off from use had been retained in the General Deposit Account without being credited to the public revenue.

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

- (i) According to the Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account Item No. 13901, the balance that remained outstanding as at that date totalled Rs.2,199,409 and the follow up action on the recovery of the outstanding balances had been at a weak level.
- (ii) Contrary to Section 1.6 of Chapter XXIV of the Establishments Code and the National Budget Circular No. 118 of 11 October 2004 action had not been taken for the settlement of loan balances amounting to Rs.153,526 recoverable from 14 officers transferred out over 25 years ago from the year 1987 to the year 1994.

- (iii) In terms of Section 4.8 of Chapter XXIV of the Establishments Code, an officer who has outstanding balances in any category of loans obtained by him should not be released out right for service in a Public Corporation until he has settled in full all such outstanding balances and the Department which releases the officer is responsible for recovering such balances before he is released. Action in compliance with those provisions had not been taken and as such, outstanding loan balances amounting to Rs.295,627 relating to 07 officers remained in the Advance Account as at the end of the year under review.
- (iv) The loan balances totalling Rs.166,933 included in the above loan balance relating to two officers released for Corporation as shown in the Advance Account had been overstated by a sum of Rs.68,664 and shown as Rs.235,598 in the Register of Debtors. In addition, action had not been taken for the recovery of the installments for the years 2011 and 2012 in connection with balances totalling Rs.66,845 recoverable from 03 officers.
- (v) Action in terms of Sections 4.1 and 4.2 of Chapter XXIV of the Establishments Code had not been taken for the recovery of the loans in a lesser number of installments at the officer's choice to enable the recovery of the loan before the retirement of the officer or for the recovery from the commuted pension. As such loan balances amounting to Rs.134,433 recoverable from 37 officers who had retired during the period from the year 1995 to the year 2009 remained outstanding.
- (vi) In terms of Section 4.4 of Chapter XXIV of the Establishments Code, if an officer dies before the full recovery of the loans, action should be taken for the recovery of all outstanding dues from any payments due to his heirs or from the heirs. Nevertheless, action had not been taken for the recovery of loan balances amounting to Rs.62,569 recoverable from 10 officers who had died during the period from the year 1986 to 1995.
- (vii) In terms of Sub-sections 4.4.1 and 4.5 of Chapter XXIV of the Establishments Code, when any dues to 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 the principal debtor. Nevertheless, action in compliance with those provisions had not been taken in connection with loan balances amounting to Rs.665,471 recoverable from 24 officers who had vacated posts and remaining outstanding over a period of 27 years.

- (viii) In terms of Section 4.1 of Chapter XXIV of the Establishments Code, where it is anticipated that an officer's services may terminate action should be taken in such manner for the recovery of the loan may by completion in a smaller number of installments. Nevertheless, action had not been taken for the recovery of a sum of Rs.78,754 recoverable from 04 Security Officers of a Minister whose services had been terminated in accordance with the decisions of the Cabinet of Ministers in the years 1994 and 1995. Attention had also not been paid for the recovery of the loan balances from the sureties.

1:4 Good Governance and Accountability

1:4:1 Annual Performance Reports

Even though the Annual Performance Report that should be prepared by the Ministry in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 should have been tabled in Parliament within 150 days after the end of the financial year with a copy to the Auditor General, the Performance Report in respect of the year under review had not been tabled in audit even by 31 December 2013.

1:4:2 Annual Procurement Plan

Even though an Annual Procurement Plan had been prepared for the year under review, it had not been prepared in accordance with the National Budget Circular No. 128 of 24 March 2006. The procurements of the year under review had not been done in accordance with that plan.

1:4:3 Internal Audit

An Internal Audit Unit had been established and out of the 22 items of examinations included in the Internal Audit Plan, only 15 had been executed.

1:5 Assets Management

(a) Assets given to External Parties

Seven motor vehicles belonging to the Ministry of Fisheries and Aquatic Resources Development had been irregularly released to external parties. The details appear below.

Institutions given to	Number of Motor Vehicles
Ceylon Fisheries Corporation	03
Cey Nor Foundation Ltd.	03
Chief Secretary of the North Western Provincial Council	01

	07
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(b) Unsettled Liabilities

The unsettled liabilities of the Ministry of Fisheries and Aquatic Resources Development and the other institutions under the Ministry relating to the year ended 31 December 2012 amounted to Rs.423,240,621.

1:6 Weaknesses in the Implementation of Projects

The following observations are made.

(a) Non submission of Reports of Completed Foreign Aid Projects about Achievement of Objectives and Transfer of Assets of the Projects.

Although the following foreign funded projects had been completed, the reports on achieving objectives expected from the projects and handing over the assets purchased for the projects had not been submitted to audit even by 31 December 2013.

Project	Date of Completion of Project
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Tsunami Affected Areas Rehabilitation Project	31 December 2010
Coastal Resources Management Project	30 June 2009
Post Tsunami Livelihood Support and Partnership Programme	30 September 2011

(b) Dikowita Fisheries Harbour Project

The following observations are made.

- (i) The following matters were observed in connection with the motor vehicles of the Project.
- * Even though the assets of Projects are transferred to the Secretary to the relevant Ministry on the completion of a Project, 07 motor vehicles of the Dikowita Fisheries Harbour Project had been distributed among institutions without formal authority by an acting Chairman of a Government Company.
 - * A motor vehicle had been obtained on hire basis at a monthly hire charge of Rs.63,000 by 31 December 2013 for the use of the project.
 - * Even though the 5 ton truck valued at Rs.4,240,000 and the fuel bowser valued at Rs.1,416,100 purchased for the Fisheries Harbour should belong to the Ministry of Fisheries and Aquatic Resources Development the Government Company which made the purchases had been registered as the owner of the vehicles.

(ii) Instances of Action taken outside the objectives of the Project were revealed

* A sum of Rs.34,059,911 out of the Project funds had been given in 08 instances for the enhancement of the conditions of the Mattakkuliya Yard of a Government Company which is outside the activities of the Project.

* Thirteen items of equipment valued at Rs.876,450 purchased with a guarantee period for that Boat Yard had not been used. Two items of equipment valued at Rs.173,901 were not available in the premises.

(iii) Even though the Guideline 1.2.1 of the Government Procurement Guidelines requires the procurement process to ensure maximum economy resulting in least cost, the following purchases for a project had been made through a Government Company and payment had been made allowing that company to receive a margin on the invoice value. Details appear below.

Assets Purchased	Amount Paid	Invoice Value	Margin
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	Rs.	Rs.	Rs.
Matures Sur Composites Franc	5,834,246	5,325,013	509,233
Tool sets	838,953	803,100	35,853
Truck	4,452,000	4,240,000	212,000
Tractor	1,486,905	1,416,100	70,805
Bowser	8,637,804	8,226,480	411,324

			1,239,215
			=====

Accordingly, the above payment of Rs.1,239,215 had been made contrary to the Government Procurement Guidelines and without formal authority.

(iv) The following deficiencies were observed in connection with the Ice Plants constructed under the Project.

- * Out of the two Ice Plants constructed at a cost of Rs.97,149,878 (exclusive of VAT) under Stage III of the Dikowita Fisheries Harbour, one plant could not be used for production work due to the defects in the concrete floor of the plant.
 - * Even though the booster pump of the Ice Plant valued at Rs.176,634 and the Hoist and Overhead Crane valued at Rs.1,752,920 installed in the Ice Processing Section had broken down from June 2013 action had not been taken to repair those through the contractor during the guarantee period of the contract.
 - * Even though 10 high bay lights had been installed in the Ice Plant, the contractor had been paid for installing 24 lamps.
- (v) The Off Loading Building – Export Oriental, constructed under Stage I of Project Development had not been used for operations.
- (vi) The waste water recycling system constructed under the project had not been in working condition and three buildings constructed for that production of compost fertilizer had been underutilized.
- (vii) Even though the harbor access road and the bridge had been constructed by utilizing foreign aid amounting to EURO 800,000 received for he purpose, the bridge could not be used as it had not been connected to the main road.
- (viii) Contrary to the primary objectives of the Dikowita Fisheries Harbour Project, temporary advances amounting to Rs.33 million had been granted in two instances in the year 2012 to a Government Company for the maintenance of its operations. Out of those advances, a sum of Rs.29,641,352 had not been settled even up to 31 December 2013.
- (ix) The following deficiencies existed in connection with the income tax commitments of the Projects.
- According to the agreement, the income tax commitments of Bam International BV, the main contractor of the Dikowita Fisheries Harbour Project should be paid by the Ministry of Fisheries and

Aquatic Resources Development. Information relating to the payment of Rs.61,042,145 as the income tax of that institution for the years 2009 to 2011 and a sum of Rs.57,460,597 as the Pay As You Earn Tax for the years 2009 and 2010 by the Ministry had not been furnished to audit.

- According to the financial statements of the Project, an income tax commitment of Rs.30,000,000 brought forward from the year 2011 had not been settled even by the end of the year 2012. As such the risk of payment of penalty on that existed.
- (x) A ledger had not been maintained for the accounting work of the Dikowita Fisheries Harbour and a trial balance had not been prepared for the preparation of the final financial statements.
- (xi) The Custom Duty on a travel lift purchased in the year under review amounting to Rs.3,998,891 had not been capitalized.

1:7 Performance

The observations on the performance of the Ministry according to the Annual Budget Estimates, the Corporate Plan and the Action Plan for the year 2012 are given below.

(a) Activities not Executed Adequately

The following 04 activities included in the Action Plan for the year 2012 for execution by the Fisheries Social Development Division had not been executed.

- (i) Awareness and Development Activities for the Fisher Folk, New Fishing Technology, Post-Harvest, Marketing and Entrepreneurial Development for the Fisher Community.
- (ii) Institutional Strengthening of Fisheries Community Organizations.
- (iii) Community Based Fresh Water and Aquaculture Practices.
- (iv) Fisher Technology and Child Development Programme.

(b) Implementation of Strategic Management System

An Internet Management system called Web Based Dashboard System for checking the assignments and performance of the officers had been installed at a cost of Rs.5,65 million. An agreement had been entered into with a private firm for consultancy and the installation of the Strategic Plan and a sum of Rs.3.65 million had been paid for 3 stages. This strategic plan had not been activated for the other institution except the National Aquatic Development Authority even up to the date of audit.

1:8 Transactions of Contentious Nature

Purchase of 02 Mother Vessels

- (i) The Ministry of Fisheries and Aquatic Resources Development had entered into an agreement on 15 August 2007 with an International Company for the purchase of 02 mother vessels. Accordingly, two mother vessels costing Rs.326 million were scheduled to be handed over to the Ministry on 15 February 2008. Nevertheless, it had not been so done even by 31 December 2013.
- (ii) Out of the sum of Rs.1,338,000,000 allocated for the above purpose by the General Treasury from the year 2006 to 31 December 2012, a sum of Rs.110,903,138 had been spent for the grant of mobilization advances for the purchase of mother vessels and the opening of letters of credit. Out of the balance amounting to Rs.1,227,096,862 a sum of Rs.541,018,038 had been transferred to other Objects under Financial Regulation 66 and spent for the purposes of those Objects.

(b) Missing Vouchers

A voucher valued at Rs.151,729 relating to the National Aquatic Resources Research and Development Agency under the purview of the Ministry on which action in terms of Financial Regulation 272(2) had not been completed had been missing.

1:9 Irregular Transactions

Certain transactions entered into by the Ministry had been devoid of regularity. Several instances observed are given below.

(a) Purchase of Fresh Water Boats

- (i) Purchase of 560 fresh water boats valued at Rs.23,228,097 had been made under the Fresh Water Development Scheme without inviting competitive bids. It had been decided to purchase the boats from a Government Company without entering into a formal agreement contrary to Guideline 8.9.1(b) of the Government Procurement Guidelines. Contrary to the provisions in Guideline 5.4.4(1) of the Government Procurement Guidelines an advance of Rs.10,949,240 had been granted without obtaining a security bonds.
- (ii) A sum of Rs.809,249 had been paid to a Government Company without approval, for the transport of freshwater boats to the Regional Extension Offices. Documentary evidence in support of the distribution of the 560 fresh water boats among the fisher community or their acknowledgement of takeover had not been presented to audit.

(b) Payment of Advances for Installation of 03 Buoys

Out of the advance of Rs.925,750 granted to a Public Corporation for the installation of 03 buoys for marking the barriers in the sea near the fisheries ferry at Kathaluwa, Galle the balance sum of Rs.40,197 had not been settled. That work as well had not been properly completed.

1:10 Losses and Damage

The observations on the losses and damage revealed during the course of audit test checks are given below.

- (a) Even though 11 motor vehicles of the Ministry had met with accidents in the year 2012, action in that connection in terms of Financial Regulation 104 had not been taken. The files relating to those motor vehicles as well had not been furnished to audit.
- (b) The Register of Losses and Damage maintained by the Ministry had not been updated, and no entries whatsoever had been made in that register in the year 2012.

1:11 Management Weaknesses

Two motor vehicles belonging to the Ministry had been idling and parked over a period exceeding 04 years without taking action for repair and use or for disposal.

1:12 Human Resources Management

(a) Approved Cadre and Actual Cadre

The information of the cadre as at 31 December 2012 is given below.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	22	13	09	--
(ii) Tertiary Level	04	03	01	--
(iii) Secondary Level	106	63	43	--
(iv) Primary Level	53	50	03	--
(v) Others (Casual/ Temporary/ Contract Basis)	01	02	--	01
Total	<u>186</u>	<u>131</u>	<u>56</u>	<u>01</u>

The Ministry had not taken action to fill 56 vacancies even by the end of the year under review.

(b) Human Resources irregularly released to other Parties

The Ministry had released two employees of the Primary Level to the Department of Fisheries and Aquatic Resources with effect from 08 July 2010.

(c) Human Resources Irregularly obtained from other Parties

The Ministry had irregularly obtained a Secondary Level employee of a Public Corporation for service in the Ministry with effect from 07 April 2009.

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 records, reconciliation statements, books, registers and other records of the Department of Fisheries and Aquatic Resources for the year ended 31 December 2012 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 Department on 30 August 2013. 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 Revenue Account and the Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory provisions and 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 Records and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (f) and other major audit findings appearing in paragraphs 2:4 to 2:8 herein the Appropriation Account, the Revenue Account and the Reconciliation Statement of the Department of Fisheries and Aquatic Resources had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

Even though 18 computers and 09 printers valued at Rs.2,269,400 had been purchased from 30 December 2010 to 26 April 2012, a Register of Computer Assets in terms of paragraph 02 of the Treasury Circular No. 1A1/2002/02 of 28 November 2012 had not been maintained . Action in terms of the paragraphs 03, 04 and 06 of the Circular as well, had not been taken.

(b) Budgetary Variance

- (i) The entire net provision of Rs.3,200,000 made for 01 Object had been saved.
- (ii) Excess provisions had been made for 04 Objects and as such the savings thereunder after utilization of provisions ranged between 25 per cent to 81 per cent of the net provisions relating to the respective Objects.
- (iii) Even though provision amounting to Rs.3,000,000 had been transferred under Financial Regulation 66 to the Object for the Purchase of Furniture and Office Equipment due to the provision made for that Object was inadequate only a sum of Rs.137,961 or 5 per cent thereof had been utilized.
- (iv) Under-provision had been made for 07 Objects and provisions had been transferred from other Objects under Financial Regulation 66 and the transfers ranged between 44 per cent to 150 per cent of the original estimates.

(c) General Deposit Account

- (i) Action in terms of Financial regulation 571 had not been taken on 15 deposits amounting to Rs.749,138 older than 02 years.
- (ii) Even though the Department had debited a sum of Rs.38,179,185 to the Expenditure Account and transferred to the General Deposit Account, the approval of the Treasury in terms of Financial Regulation 215(3) had not been obtained.

(d) Revenue Account

- (i) A revenue estimate of Rs.6,000,000 in respect of items such as the issue of hygiene certificate, registration of fish processing centres, registration of boat yards and the export of sea cucumber had been prepared for the year 2012. The revenue collected in the year under review amounted to Rs.4,504,500 and the revenue collected in the preceding year, despite the non-preparation of revenue estimates, amounted to Rs.4,951,420. Accordingly, the revenue collected in the year, under review as compared with the preceding year had decreased by a sum of Rs.424,620.
- (ii) A transfer of Rs.8,000 made under the revenue sources had been shown as a refund from revenue.
- (iii) Even though the licence fees should be assessed and revised at least once in 05 years, the annual licence fee for fisheries operations had not been so revised. The licence fee determined in the year 1996 had been recovered in the year under review as well.

(e) Reward Fund Account

The necessary provision had been made under the provisions in the Fisheries and Aquatic Resources Act, No. 02 of 1996 for filing cases in courts for the offences committed by the fishermen at sea, and the credit of money received from the auction sale of fish confiscated and the non-prohibited goods to the Rewards Fund and for the payment of rewards out of that money to the persons who participate in such raids. The following observations are made in that connection.

- (i) Even though a sum of Rs.1,002,425 was available in the Fund as income, no rewards whatsoever had been paid in the year under review to the persons who participated in the raids.
 - (ii) Action had not been taken to obtain the sum of Rs.117,580 received from the sale of fish in the year under review and deposited in the Courts and credit the money to the Reward Fund.
 - (iii) Books and records had not been maintained in a manner to enable the identification of the income of the Fund received and receivable separately.
- (f) Reconciliation Statement of the Advances to Public Officers Account

- (i) According to the Reconciliation Statement as at 31 December 2012 of the Advances to public Officers Account Item No. 29001 the balances that remained outstanding as at that date totalled Rs.2,624,991 and the follow up action on the recovery of those outstanding balances had been at a weak level.
 - (ii) Due to the failure to take action in terms of Sections 4.1 and 4.2 of Chapter XXIV of the Establishments Code in connection with officers due for retirement for the recovery of the loan in a smaller number of installments or for the recovery of the loans from the committed person at the officers' choice loan balances amounting to Rs.46,669 recoverable from two retired officers remained outstanding.
 - (iii) According to Sections 4.4.1 and 4.5 of Chapter XXIV of the Establishments Code, when it is not possible to recovery any dues to the Governments from the principal debtor, it should be recovered from the surety, in the same manner as provided for in the case of the principal debtor. Nevertheless, action in accordance with those provisions had not been taken in connection with the loan balances amounting to Rs.505,302 due from 10 officers.

2:4 Good Governance and Accountability

2:4:1 Annual Performance Reports

Even though the Annual Performance Report that should have been prepared by the Department of Fisheries and Aquatic Resources in terms of the Public Finance Circular No. 402 of 12 September 2002 and No.402(1) of 20 February 2004 should have been tabled in Parliament within 150 days after the close of the financial year with a copy to the Auditor General, the Performance Report for the year under review had not been tabled in Parliament even by 15 August 2013.

2:4:2 Internal Audit

The Department had not established an Internal Audit Unit.

2:5 Assets Management

(a) Unsettled Liabilities

The unsettled liabilities of the Department as at 31 December 2012 amounted to Rs.33,936,771. Contrary to Financial Regulation 94(1) liabilities exceeding the balance available after utilization of the provisions made for an object amounting to Rs.4,750,000 by a sum of Rs.1,750,019 had been incurred.

(b) Fixed Assets

The value of the Jeep transferred to the Department by the Food and Agricultural Organization and the Customs Duty of Rs.1,076,482 paid on the transfer had been omitted from the assets accounts.

2:6 Weaknesses in the Implementation of Projects

Instances revealed during the course of audit test checks of projects abandoned without commencing, projects abandoned without completion and project delays are given below.

Establishment of a Revolving Loan Fund Scheme for the Members of the District Fisheries Co-operative Societies

A sum of Rs.4,050,000 had been made available to 07 District Co-operative Societies in the years 2009 and 2010 for the establishment of a Revolving Loan Fund Project System to enable the implementation of income generating projects for the members of the District Fisheries Co-operative Societies. The loan installments recovered from the beneficiaries under the scheme should be utilized for the grant of further loans. Nevertheless, 05 District Co-operative Societies had retained a sum of Rs.2,416,563 in the accounts without granting such loans. The seven Co-operative Societies had not furnished the Monthly Progress Reports on the grant of Loans in terms of paragraph 5.2 of the Departmental Circular No. 01/2009 dated 10 December 2009.

2:7 Transactions of Contentious Nature

Divineguma Fisheries Post Harvest Technology Project Loan Scheme

The Divineguma Fisheries Post Harvest Technology Loan Scheme had been implemented as a Revolving Loan Fund Scheme. Out of the money given by the Ministry of Economic Development for the grant of Rs.10,000 per beneficiary on the Technology loan basis, a sum of Rs.26.75 million had been deposited on 12 June 2012 in the Head Office of the Bank of Ceylon. A proper authority for the deposit was not available and in term on financial regulation 382 the Bank had not issued a certificate of confirmation of the money deposited, while no agreement had been reached with regard to the interest income receivable for the money.

2:8 Human Resources Management

Approved Cadre and Actual Cadre

The position of the Cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	48	25	23
(ii) Tertiary Level	15	08	07
(iii) Secondary Level	647	408	239
(iv) Primary Level	107	95	12
(v) Others (Casual/ Temporary/ Contract Basis)	01	01	--
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Total	818	537	281
	=====	=====	=====

The Department had not taken action for filling 281 vacancies by the end of the year under review.