

Report of the Auditor General on Head 290- Department of Fisheries and Aquatic Resources- Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 290 - Department of Fisheries and Aquatic Resources for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154(1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director General of the Department on 07 December 2016. The audit observations, comments and findings on the accounts and 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 and the Accounting Officer on 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 and the 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 Public Finance and Administrative Regulations. The responsibility includes, designing, implementing, 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. Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.2,201.66 million and out of that Rs.1,777.12 million had been utilized by the end of the year under review. Accordingly, savings out of the total net provision of the Department had been Rs.424.54 million or 19.28 per cent. Details are as follows.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	384.46	376.72	7.74	2.01
Capital	1,817.20	1,400.40	416.80	22.94
Total	2,201.66	1,777.12	424.54	19.28

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

Provisions totalling Rs.8.6 million had been made available by the Ministry of Fisheries and Aquatic Resources to the Department for various activities and out of that Rs.8.0 million had been utilized by the end of the year under review. Accordingly, Rs.0.6 million out of the provisions made available or 6.98 per cent of provisions had been saved.

2.2 Revenue Account

Estimated and Actual Revenue

The Department had prepared Revenue estimates amounting to Rs.23 million in respect of a Revenue Code for the year 2015 and Revenue totalling Rs.22.8 million had been collected in the year under review. It had been 99.1 per cent of the estimated Revenue. Details appear below.

Revenue Code	As at 31 December 2015			Shortfall as a Percentage of Estimate
	Estimated Revenue	Actual Revenue	Deficit	
	Rs. Millions	Rs. Millions	Rs. Millions	
10.03.07.06	23.00	22.78	0.22	0.96

2.3 Advance Account

2.3.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Department and the actual amounts under Item No.29001 are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
24.99	16.67	16.49	19.28	105.00	73.48

2.4 General Deposit Accounts

The total of balances of four Deposit Accounts under the Department as at 31 December 2015 amounted to Rs.4.5 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs.millions
6000/0000/00/0002/0096/000	0.25
6000/0000/00/0016/0047/000	1.17
6000/0000/00/0018/0055/000	0.05
6000/0000/00/0006/0073/000	3.03
Total	4.50

2.5 Audit Observation

The Appropriation Account, Revenue Account and Reconciliation Statement of the Department of Fisheries and Aquatic Resources for the year ended 31 December 2015 have been satisfactorily prepared subject to audit observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and significant audit observations out of the observations included in that Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non- maintenance of Registers and Books

It was observed at the audit test check that the following registers had not been maintained in an updated manner.

Type of Register	Relevant Regulation
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(i) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
(ii) The list of Vehicles	Financial Regulation 1647(e)
(iii) Register of Liabilities	Financial Regulation 214

3.2 Appropriation Account

3.2.1 Budgetary Variance

Provisions amounting to Rs.42.0 million had been made available under the Object 290-1-1-3-1504 for the payment of interest concessions under the “Diyawara Diriya” Loan Scheme. Provisions amounting to Rs.5.6 million or 14.25 per cent of the net provision had been saved after transferring a sum of Rs.2.7 million out of it to other Objects by Financial Regulation 66.

3.2.2 Provision made available by other Ministries

The following observations are made relating to the utilization of provisions made available to the Department of Fisheries and Aquatic Resources for the self- employment promotional programmes by the Ministry of Fisheries and Aquatic Resources Development.

- (a) Provisions amounting to Rs.8.26 million had been made available to the Department with the objective of providing the necessary knowledge and equipment to the fishing community for minimizing waste by the introduction of Post- harvest Technology for 15 fishing districts under the Ministry of Fisheries and Aquatic Resources Development. However, that entire provision had been utilized only for self- employment activities in the Nakulugamuwa area of the Galle District, but, even though it was compulsory to provide the necessary knowledge in achieving the objective of minimizing waste by the introduction of Post- harvest Technology, action had not been taken in this connection.
- (b) Even though provisions amounting to Rs.297,000 had been made available for self-employment training programmes, action had not been taken to conduct those programmes.

- (c) Even though taking follow- up action for the successful implementation of the project and timely evaluating the performance should be done compulsorily due to not deploying any capital by the beneficiaries in the implementation of the project, that function had been restricted only to calling for information.
- (d) Sixty maldivian fish stoves had been prepared by spending a sum of Rs.3.59 million for the self-employment promotional programmes and 440 water tanks of 500 litres had been purchased by spending a sum of Rs.1.95 million. Action had not been taken in terms of the Guideline 2.14 of the Government Procurement Guidelines in purchasing those equipment. Even though 360 aluminium pots had been purchased by spending a sum of Rs.2.40 million along with those equipment, sufficient information had not been furnished to audit to ensure whether those aluminium pots were distributed to the beneficiaries.

3.3 Revenue Account

The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to the license fees under the Revenue Code 10.03.07.06 had been assigned to the Director General of the Department of Fisheries and Aquatic Resources as the Revenue Accounting Officer. The following observations were made at the course of the audit test check conducted relating to that Revenue Code.

- (a) The net revenue of the year under review had been improved by 51 per cent as compared with the preceding year. A decrease of Rs.1,678,250 or 26 per cent and Rs.2,196,800 or 41 per cent in the Revenue of Dead Oyster Shells Licenses and in the Revenue of Hygiene Certificates respectively, were observed as compared with the preceding year.
- (b) Even though Nil reports had been furnished on the Arrears of Revenue in the years 2013,2014 and 2015, the arrears of fees amounting to Rs.45,000 included in 2015 revenue relating to the preceding years in the Revenue of the registration of the fishing boatyards and as such arrears of revenue had not been calculated accurately.

3.4 Reconciliation Statement of Advances to Public Officers Account

The following deficiencies were observed at the audit test check carried out in respect of Reconciliation Statement of Advances to Public Officers Account under Item No.29001 as at 31 December 2015.

(a) Loan Balances Recoverable from Retired Officers

A total sum of Rs.410,203 of 04 retired officers remained outstanding. Even though those loan balances had remained from a period between 1 year to 18 years, action had not been taken by the Department to recover the outstanding loan balances by taking action in terms of Sections 4.1 and 4.2 of Chapter XXIV of the Establishments Code relating to those outstanding loan balances.

(b) Loan Balances Recoverable from Officers who Vacated Service

Action had not been taken to settle 12 loan balances totalling Rs.419,534 older than 01 year to 22 years recoverable from officers who vacated their service.

(c) Loan Balances of Interdicted Officers

The Department had failed to recover any amount out of the loan balance amounting to Rs.536,010 which had remained from a period over 5 years from 03 interdicted officers even by the end of the year under review .

(d) Loan Balances Recoverable from Resigned Officers

The Department had failed to recover the loan balances amounting to Rs.141,450 recoverable from an officer resigned on 29 December 2015 even by the end of the year under review.

3.5 Good Governance and Accountability

3.5.1 Annual Action Plan

Eighty- three development activities belonging to the Department of Fisheries and Aquatic Resources planned to be executed by spending the provisions of the Ministry amounting to Rs.99.3 million according to the Development Plan 2015 of the Ministry of Fisheries and Aquatic Resources Development had not been included into the Departmental Action Plan.

3.5.2 Internal Audit

Any activity out of the 6 audit activities included in the Internal Audit Plan of the Department for the year under review had not been executed in the year under review.

3.5.3 Annual Performance Report

Even though the Performance Report should be tabled in Parliament within 150 days after the closure of the Financial Year by the Department in terms of the Public Finance Circular No.402 of 12 September 2002, that Report had not been tabled in Parliament even by 28 July 2016.

3.6 Assets Management

The following deficiencies were observed at the audit test check carried out in respect of the assets of the Department.

(a) Idle and Underutilized Assets

Three motor vehicles valued at Rs.1,085,000 had remained idle from a period of 2 years.

(b) Annual Boards of Survey

A report after conducting a survey relating to the vehicles belonging to the Department as at 31 December 2015 had not been furnished to audit even by 06 May 2016.

(c) Irregular use of Assets belonging to other Institutions

A vehicle amounting to Rs.2,600,000 belonging to the Food and Agriculture Organization had been used from the year 2015 by the Department without a proper approval.

(d) Unsettled Liabilities

The unsettled liabilities of the Department as at 31 December 2015 amounted to Rs.292,554,168. Even though the saving after utilization of the provisions made available for 06 Objects had been a sum of Rs.209,404, the Department had entered into liabilities amounting to Rs.2,466,478 exceeding that saving.

3.7 Non- compliances

Non- compliance with Laws, Rules and Regulations

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

References to Laws, Rules and Regulations

Non- compliance

(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial Regulation 565(5)

The summary statements of the monthly deposits had not been furnished to the Auditor General before the end of the next month.

(b) Public Administration Circulars

Paragraph 02 of the Circular No.06/97 of 03 February 1997

Even though the maximum acting period of a post should be 03 months, a Senior Radio Officer had been appointed for covering up duties of the post of the Assistant Director (Technical) from 15 December 2010 and for the performance of duties from 15 August 2011 to 17 August 2015. Action had not been taken to appoint a permanent officer for a period over 04 years.

(c) Public Finance Circulars

Circular No.2/2015 of 10 July 2015

The confiscation activities of a vehicle identified as condemned had not been completed. The steering box of a vehicle had been displaced due to not ensuring the security of the vehicles identified for confiscation.

3.8 Implementation of Projects under Domestic Financing

3.8.1 Providing fuel Concessions to Fishing Boats Owners for Minimizing the Adverse Effects Occurred to the Fishing Industry on the Increase of the Fuel Price

A programme of providing the increased fuel price as a concession to fishing boats owners for minimizing the adverse effect occurred to the Fishing Industry due to the increase of the fuel price had been commenced from March 2012. The implementation of this programme had been entrusted to the Department of Fisheries and Aquatic Resources and the Ceylon Petroleum Corporation had participated in this connection.

A sum of Rs.5,501,420 for the printing of fuel coupons for this programme which had been implemented up to September 2013 and a sum of Rs.4,549,775,000 for concessions by cheques and Treasury Bonds, totalling Rs.45,465,276,420 had been spent by the Treasury.

The following observations are made in this connection.

- (a) Instead of reimbursing only the value of fuel actually supplied for the fishing boats owners by the Department of Fisheries and Aquatic Resources to the Corporation, a sum of Rs.4,549.77 million had been paid to the Corporation, the value of the total number of fuel coupons which had been handed over to the Department by the Corporation. According to the information obtained from the Ceylon Petroleum Corporation, the value of fuel supplied to fishing boats owners as fuel concessions by that Corporation had been a sum of Rs.4,373.68 million. As such, a sum of Rs.176.09 million had been overpaid to the Ceylon Petroleum Corporation.
- (b) A sum of Rs.75.46 million, the value relating to the coupons which were being confirmed that they belonged to the Department had been included in this overpayment. As such, action had not been taken by the Department at least even to prevent the payment of that value. The responsibility of the Department of made aware of the Treasury in this connection had not been properly executed as its final payment being paid on 10 February 2014 by a Treasury bond.
- (c) The interest paid annually by the Treasury for the sum of Rs.176.09 million overpaid had been a lost to the Government as the interests being paid by the Treasury for a sum of Rs.4,329.78 million already paid by a Treasury bond.

- (d) Action had also not been taken to ensure the accuracy of the sum of Rs.4,373.68 million stated as the value of the fuel supplied to the boats owners by the Ceylon Petroleum Corporation.
- (e) Even though the value of the coupons that could be issued to the fishermen according to the Inventory Report on the fuel coupons of the Department had been a sum of Rs.4,474.32 million, it had been informed to the Treasury that coupons amounting to Rs.4,490.15 million had been issued. As such, coupons amounting to Rs.15.83 million had been excessively issued. A proper inquiry had not been conducted relating to this excess issuance.

3.8.2 Providing Fishing Equipment to the Fishermen as an Alternative to the Fuel Concession Scheme

It had been planned to spend a sum of Rs.3,390.12 million for the programme of providing modern technical equipment and technical aids for the fishing community which had commenced in the year 2013 as an alternative method to providing fuel concessions and the following observations are made relating to its operation.

- (a) Providing fishing nets, GPS equipment and life jackets for 14,811 beneficiaries entitled to 2 types of boats with an exterior engine which had commenced in the year 2014 had not been completed even by 31 December 2015.
- (b) Even though providing fishing nets for the remaining beneficiaries who own those boats had commenced in the year 2015, targets had not been completed in that function.
- (c) It had not been planned to purchase equipment that should be provided to the owners of one-day vessels with interior engines.
- (d) Even though provisions amounting to Rs.605 million had been made available in the year 2015 to install VMS equipment for multiday fishing vessels, it had been failed to execute that function up to the date of audit of 31 July 2016.
- (e) Even though this alternative fuel concession scheme had been introduced for increasing fish products by spending a total sum of Rs.2,216 million in the years 2014,2015, the Department had failed to expeditiously implement it with a proper plan. However, the total fish production of the year 2015 had been reduced by 14,860 tonnes by 2.7 per cent and the contribution of the fisheries sector for the Gross Domestic Production as well had been decreased from 1.5 per cent to 1.3 per cent.

3.8.3 Providing Relief to Beach- siene Fishermen Displaced due to the Construction of the Hambantota Fisheries Harbour

The following observations are made in this connection.

- (a) The approval had been obtained by the Cabinet Paper No. අමප/07/1656/351/029 of 18 October 2007 to provide one- day fishing vessel each and other necessary equipment to 7 beach- siene fishermen who lost their employment due to the construction of the Hambantota Fisheries Harbour. As such, even though this project should be completed in the year 2008, boats had been supplied only for 6 fishermen by the end of the year under review. As such, a boat had not been given to one fisherman as agreed and action had not been taken to provide fishing nets to all 7 fishermen.
- (b) It was observed as a loss made to the Government due to not taking action to recover the amount of Rs.773,000 which had been paid for the boat which was omitted from manufacturing and handing over by the supplier.

3.9 Performance

The observations on the progress of the Department according to the Annual Budget Estimates and Action Plan, and Performance Report for the year 2015 are given below.

Functions not Executed Adequately

The following observations are made.

- (a) The targeted functions of the Department had not been adequately executed and several instances so observed are given below.

Function	Annual Target	The Quantity Executed	Percentage of Execution
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	Units	Units	
Obtaining Log Reports for Multiday Vessels	40,000	16,073	40
Insuring Fishing Vessels	25,246	16,496	65
Insuring Fishermen	64,621	28,496	44
Issuing Fishermen Identity Cards	4,501	1,698	38
Issuing Sea Compliance Certificates	25,000	12,809	51

(b) The Department had not furnished the financial and the physical performance for each function in its Action Plan, to audit.

3.10 Transactions of Contentious Nature

A Senior Radio Officer of the Department had been appointed for the post of Assistant Director (Technical) III from 17 August 2015. Internal recruitments should be done by conducting a written examination for the post according to the Scheme of Recruitment approved by the Public Service Commission. However, an interview had been conducted on the approval given by the Secretary to the Public Service Commission for the recruitment of the relevant post only by an interview excepting from a written examination, to be limited only to this instance on the recommendation of the Secretary to the Ministry of Fisheries and Aquatic Resources Development. In this regard, 05 marks for studying a 120 hour course instead of a 360 hour course on Information Technology and 05 marks had been given erroneously to a Senior Radio Officer by the Interview Board for a letter furnished that a course had been followed instead of a Certificate in English Competency.

This officer had not fulfilled the necessary qualifications in appointing to the post of Junior Radio Officer in the year 1983 and had been made permanent in that post in the year 1986 and had been promoted to the post of Senior Radio Officer simultaneously.

3.11 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2015 had been as follows.

	Category of Employees	Approve d Cadre	Actual Cadre	Number of Vacancies	Excess
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(i)	Senior Level	48	28	20	-
(ii)	Tertiary Level	21	11	10	-
(iii)	Secondary Level	881	475	406	-
(iv)	Primary Level	107	86	21	-
(v)	Others (Casual/ Temporary/ Contract Basis)	-	02	-	02
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	Total	1,057	602	457	02
		=====	=====	=====	=====

A number of vacancies exceeding 42 per cent of the approved staff in the Senior, Tertiary and Secondary levels remained by the end of the year under review. Action had not been taken to fill these vacancies by the Department and even though the provisions made available according to the Appropriation Account prepared for the year 2015 had been saved without being utilized, it had not been affected in the existence of vacancies in the staff. As such, an over- estimation of the approved staff was observed in audit.