

Report of the Auditor General on Head 290 - Department of Fisheries and Aquatic Resources – Year 2016

Head 290-The audit of the Appropriation Account , Revenue Account and the reconciliation statements including the financial records, books, registers and other records of the Department of Fisheries and Aquatic Resources for the year ended 31 December 2016 was carried out in pursuance of provisions of 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 Director General of the Department on 28 November 2017. 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 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. Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.2058.62 million and out of that a sum of Rs.1336.20 million had been utilized by the end of the year under review. Accordingly, the savings from the net provisions made for the Department amounted to Rs.722.42 million or 35.09 per cent . Details appear below.

Expenditure	Net Provision	As at 31 December 2016		Savings as a Percentage of Net Provision
		Utilization	Savings	
	Rs.millions	Rs.millions	Rs.millions	
Recurrent	403.92	397.56	6.36	1.57
Capital	1654.70	938.64	716.06	43.27
Total	2058.62	1336.20	722.42	35.09

(b) Utilization of Provisions given by Other Ministries and Departments

The Ministry of Fisheries and Aquatic Resources had made available provisions totalling Rs.26.27 million to the Department, for various activities and out of that Rs.18.39 million only had been utilized, thus a sum of Rs.7.88 million or 30 per cent had been saved.

2.2 Revenue Account

Estimated and Actual Revenue

The Department had prepared Revenue estimate of Rs.25 million in respect of one Revenue Code for the year 2016 and revenue totalling Rs.22.8 million had been collected during the year under review. It had been 91.2 per cent of the estimated revenue. Details appear below.

Revenue Code	As at 31 December 2016			Excess as a Percentage of the Estimate
	Estimated Revenue	Actual Revenue	Excess	
	Rs. Million	Rs. Million	Rs. Million	
10.03.07.06	25.00	22.80	2.2	8.8

2.3 Advances to Public Officers Account

Limits Authorized by Parliament

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

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
22.00	21.97	15.00	19.57	105.00	76.37

2.4 General Deposits Account

Total balance of the 04 Deposits Accounts of the Department as at 31 December 2016 totalled Rs.73.88 million. Details are shown below.

Deposits Account Number	Balance as at 31 December 2016
	Rs.million
6000/0000/00/0013/0064/000	68.62
6000/0000/00/0016/0047/000	1.41
6000/0000/00/0018/0055/000	0.05
6000/0000/00/0006/0073/000	3.80
Total	73.88

2.5 Audit Observation

The Appropriation Account, Revenue Account and the Reconciliation Statements of the Department of Fisheries and Aquatic Resources for the year ended 31 December 2016, have been prepared satisfactorily subject to the Audit Observations, appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant Audit Observations out of the audit observations included in the Management Audit Reports appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non-maintenance of Registers and Books

It was observed during audit test checks that Department had not maintained the following registers in the proper and updated manner.

Type of Register	Relevant Regulation
(a) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978.
(b) Register of fixed assets for computers, accessories and software	Treasury Circular No. IAI/2002/02 of 28 November 2002.

3.2 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 Head of the Department as the Revenue Accounting Officer. The following observations were made at the course of audit test check conducted relating to that Revenue Code.

- (a) According to the Revenue Account presented to audit, revenue totalling Rs.100,000 had been in arrears and the arrears of Revenue ranged between the period from 01 year to 03 years.
- (b) Even though according to the Revenue Account as at 31 December 2016 the arrears of revenue had been shown as Rs.100,000, the arrears of revenue as at that date amounted to Rs.45,000. Accordingly, a difference of Rs.55,000 was observed.
- (c) Decrease of Rs.871,750 and Rs.2,395,200 in the revenue of the transportation of Dead Oysters Shells and export of substrata of aquatic organisms respectively were observed during the year under review as compared with the preceding year. This decrease was 18 per cent and 70 per cent respectively.

3.3 Reconciliation Statement of Advances to Public Officers Account

According to the Reconciliation Statement as at 31 December 2016 of the Advances to Public Officers Account Item No.29001, the balances that remained outstanding as at that date amounted to Rs. 918,939. Even though those outstanding balances remained over periods ranging from 02 years to 19 years, the Department had not taken action to recovery of those outstanding balances.

3.4 Accountability and Good Governance

Annual Performance Reports

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 01 August 2017.

3.5 Implementation of Projects under Domestic Financing

Providing Alternative Concessions instead of 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 sum of Rs.589.56 million had been spent during the years 2015 and 2016 for purchasing and establishing a surveillance system for fishing vessels under this concession. The following matters were revealed in the audit examination carried out in this connection.

- (a) Even though it was shown that an international propaganda should be given by publishing procurement notices through various media for establishing a maximum competition in terms of Guideline 3.1.4 of the Government Procurement Guidelines, action had not been taken accordingly.
- (b) In terms of Guideline 2.14.1 of the Procurement Guidelines, this purchasing should be done by a Procurement Committee appointed by the Cabinet of Ministers. However, it had not been so done.
- (c) Even though an Agreement had been entered into with a private Institution on 12 November 2014 for purchasing of 3000 transponders required for the surveillance system within the period of 540 days and made establishment, the basis for selection of the said institution for the relating supply was not revealed at audit.
- (d) An Agreement had been entered into on 7 February 2015 again for supply and establishment of 1500 transponders within 180 days by amending aforesaid Agreement. A bargain committee of Cabinet of Ministers had been appointed for the revision of the quotations presented by the supplier. Two items of Euro 80,000 had been uplifted up to Euro 88,000 and 2 items valued at Euro 40,000 had been removed.
- (e) Even though Euro 25,000 had been paid to the supplier on 20 April 2016 for the training of 5 consultancy groups for the establishment of software, the evidences in to carried out the training was not presented at audit.
- (f) Even though an Agreement should be entered into between the owner of the vessels and the District Assistant Director in the fixing of vessel surveillance kit into a vessel ,the copies of the said Agreement were not presented to audit.
- (g) Even though information on the fixing of vessel surveillance kits should be maintained by the Vessel Surveillance Project, any information such as vessel operating numbers, the date vessel kits fixed had not been included in the document presented to the audit.
- (h) In the selection of an Institution for obtaining data to the Surveillance System, Government Procurement Guideline Procedure had not been followed. As such, a sum of Rs.52.17 million had been paid for that Institution by August 2016.
- (i) Even though increasing fish product is one of the main objectives among the objectives of the said Project, it was observed that the fish production has been decreased by 2310 metric tons in the year 2016 as compared with the year 2014.

3.6 Performance

 The observations of the progress of the Department according to the Annual Budget Estimate and the Action Plan of the Year 2016 are given below.

(a) Key Functions not Executed Adequately

The following observations are made relating to produce a multi-day fishing vessel at a length of 55 feet for increasing fish product , improve the standard of the fish unloaded and improve the fishing vessel system .

- Even though a sum of Rs.22 million and Rs.26 million had been paid respectively to the Cey –nor Institution for the produce of a new boat mold and produce a boat from that mold, it had been shown in the supervising report of the Navy Engineering Assistant dated 21 September 2016, that an old mold had been used for the produce of the boat. However, action had not been taken for the recovery of the money paid for that purpose. Accordingly, an expense of Rs.22 million was observed as an idle expenditure.

(b) A sum of Rs.19,140,181 had been spent under the Item of Expenditure Object of construction of buildings for the activities of the Department of Fisheries. The observations in that connection are given below.

- Provision amounting to Rs.5,653,539 under the above Item of Expenditure Object had been granted for 4 District Secretariats and out of that a sum of Rs.3,645,457 had been spent. Action had not been taken to obtain the physical progress and performance reports relating to that spends or make supervisions by the relevant District Fisheries Offices.
- Even though provisions amounting to Rs.1,722,332 had been granted to the District Secretary Hambantota on 29 December 2016 for the renovation of the quarters at Tangalle, failure in utilizing the provisions due to that provisions granted at the end of the year.

3.7 Transactions of Contentious Nature

The following matters were observed relating to produce 10 boats with more efficiency under improvement of vessel system for the increase of fish product and improve the standard of fish unloaded.

- (i) The Procurement Board had decided to make production from the Institutions nominated by them as a result of the beneficiaries who obtained boats had refused to obtain boats produced by the Cey –Nor Company. No any approval had been obtained in that connection and it was observed that the above activity was contrary to the Cabinet Decision which had been granted for the above task.
- (ii) According to the boat beneficiary list presented on 29 October 2016, the boats produced institution also included as a beneficiary had been a matter of contentious nature.

- (iii) Despite orders had been given only for the produce of 5 boats, the total value amounted to Rs.149.5 million had been given for the Cey-Nor Company Ltd in December 2016 for 10 boats.

3.8 Irregular Transactions

- (a) In terms of Guideline 4.3 of the Government Procurement Guideline, total cost estimate should be prepared for a procurement. However, a total cost estimate had not been prepared relating to purchase radio equipment valued at Rs.2.84 million. The following matters were observed in this connection.
- (i) Even though instructions had been given that the purchasing should be done on the recommendations of a Board with a special know-how in terms of the Committee Recommendation No.3-iii of the Technical Evaluation Committee appointed for the above purchasing, action had not been taken accordingly.
- (ii) The ability to purchase one equipment at a rate of Rs.890,000 each as per the recommendation of the Technical Evaluation Committee had been lost due to provisions had not been provided for the presentation of alternative bids in calling bids.
- (iii) Impartiality of the procurement had affected as a result of appointing the officer who was applied for the purchase of radio equipment to the bids opening committee which had been appointed for the above purchasing.
- (b) A sum of Rs.74.22 million had been incurred in the year 2016 under granting concessions for the repairing of multi-day vessels and the following matters were observed in that connection.
- (i) An acceptable proper methodology had not been followed in the selection of multi-day vessels beneficiaries.
- (ii) Procurement Guidelines had not been followed in the selection of institutions for the repairing and the institutions for the repairing of boats had been selected by the beneficiaries by themselves as their own desire.

3.9 Irregular Transactions Contrary to the Objectives

The following observations are made.

- (a) Out of the provisions allocated from the Annual Appropriation Act for the introduction of modern technology for the small and medium scale fish industry which should be implemented by the Department of Fisheries and Aquatic Resources in the year 2016, a sum of Rs.143.21 million had been granted in the year under review as Rs.110.71 million to the Ceylon Fishery Harbours Corporation and Rs.32.5 million to the Ceylon Fisheries Corporation.

- (b) Even though it had been stated that 2 tractors valued at Rs.5.99 million, 4 weigh bridges valued at Rs.8.60 million, one crane valued at Rs.74.13 million and 08 fuel pumps valued at Rs.21.89 million should be purchased out of the money granted to the Sri Lanka Fisheries Harbour Corporation, the information on the completion of the purchasing had not been reported even by August 2017.
- (c) It had been stated that the money granted for the Ceylon Fisheries Corporation should be spent for the following functions .

	Value
	Rs.Millions
• Construction of new 11 executives in the year 2015 and settlement of the expenditure required for that purpose.	13.00
• Construction of a Mega Fishery Market under the executive of Kandy.	5.00
• Purchasing 2 Folk-lifts for the ice factory at Modara in Galle.	10.00
• Purchasing 75 electronic calculators for regional sales centres.	4.50

- (d) Action taken for the purchasing of the required equipment for the above Institutions from the provisions allocated for the Department of Fisheries to introduce the modern technology for the fisheries industry was observed as an irregular transaction which was contrary to the objective.

3.10 Losses and Damages

 The following observation is made

Action in terms of the Financial Regulations 104 to 109 in respect of 13 vehicle accidents and other 2 damages which were the values not stated the actions had not been taken.

3.11 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2016 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	48	41	07	-
(ii) Tertiary Level	21	12	09	-
(iii) Secondary Level	961	484	477	-
(iv) Primary Level	107	92	15	-
(v) Others (Casual/ Contract Basis)	-	01	-	01
Total	1137	630	508	01