

The Chairman,
National Aquatic Resources Research
and Development Agency.

Report of the Auditor General on the accounts of the
National Aquatic Resources Research & Development Agency
for the year ended December 31, 1986 in terms of Section
14(2)(c) of the Finance Act No. 38 of 1971
=====

The audit of the accounts of the National Aquatic Resources Research and Development Agency for the year ended December 31, 1986 was carried out under my directions in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act No. 38 of 1971. My observations which I consider should be published in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was forwarded to the Chairman on August 27, 1987.

1.2. Scope of Audit:

Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive 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, resources and time available to me. Sub-sections (3) and (4) of Section 13 of the Finance Act, give discretionary powers to the Auditor General to determine the scope and extent of the audit.

2. Accounts:

2.1. Opinion:

In view of the comments appearing under the following paragraphs of this report I am unable to express an opinion on the accounts presented as at December 31, 1986.

<u>Deficiencies</u>	<u>Reference to paragraph in this report</u>
i. Accounting policy	2:5:1
ii. Omissions in the Accounts	2:5:2
iii. Inappropriate disclosures	2:5:3
iv. Evidence for Audit	2:5:4
v. Non-compliance with laws, rules regulations & management decisions	2:5:5
vi. Identified Losses	2:5:6
vii. Money claims	2:5:7

2.2. Financial results:

According to the accounts, the working of the Agency for the year ended December 31, 1986, resulted in an excess of expenditure over income of Rs.4,538,360 as against an excess of expenditure over income of Rs.1,974,832 for the previous year.

The following statement gives a summary of the financial results for the year under review and the previous year.

	<u>Year ended December 31</u>			
	<u>1986</u>		<u>1985</u>	
	Rs.	Rs.	Rs.	Rs.
<u>Income</u>				
Government Contribution	8,500,000		7,125,000	
Sundry Income	<u>42,123</u>	8,542,123	<u>262,932</u>	7,387,932
<u>Less</u>				
<u>Recurrent Expenditure</u>				
Administration Expenses	10,806,877		7,528,089	
Establishment Expenses	<u>2,273,606</u>	<u>13,080,483</u>	<u>1,834,675</u>	<u>9,362,764</u>
		<u>(4,538,360)</u>		<u>(1,974,832)</u>
		=====		=====

2.3. Financial Structure:

The financial structure of the Agency as at December, 31, 1986 as compared with that as at December 31, 1985 is given below.

	<u>As at December 31</u>	
	<u>1986</u>	<u>1985</u>
<u>Resources</u>		
Government Contribution	23,870,080	19,251,000
Foreign Aid	<u>4,053,818</u>	<u>2,262,998</u>
Income and Expenditure	<u>27,923,898</u>	<u>21,513,998</u>
	<u>(1,990,138)</u>	<u>2,438,099</u>
Account balance	<u>25,933,760</u>	<u>23,952,097</u>
	=====	=====

Utilization

Fixed Assets at written-down-value	26,053,334	22,992,768
Net Current Assets	(119,574)	<u>959,329</u>
	<u>25,933,760</u>	<u>23,952,097</u>
	=====	=====

2.4. Source and Application of Funds:

The following statement shows the source and application of funds of the Agency during the year under review.

Source of Funds

	Rs.	Rs.	Rs.
Government Contribution for Capital Expenditure		4,619,080	
Foreign Aid		<u>1,790,820</u>	6,409,900
<u>Application of Funds</u>			
Net Deficit	4,538,360		
Less: Depreciation of Fixed Assets	<u>1,638,715</u>		
	2,899,645		
Less: Adjustment in respect of Previous year	<u>110,123</u>	2,789,522	
Acquisition of Fixed Assets		<u>4,699,280</u>	<u>7,488,802</u>
Decrease in Working Capital			<u>(1,078,902)</u>
			=====

Effect on Working Capital

	<u>Decrease</u> Rs.	<u>Increase</u> Rs.
Summary Debtors	-	264,973
Deposits	350	-
Advances	192,415	-
Staff Debtors	19,159	-
Cash in Hand and Bank	1,452,581	-
Creditors & Accrued expenses	101,054	-
Deposits refundable	-	<u>421,684</u>
	<u>1,765,559</u>	<u>686,657 (1,078,902)</u>
	=====	=====

2.5. Comments on Accounts:2.5.1. Accounting Policy:

The Agency had not disclosed its accounting policies in the annual financial statements. The following deficiencies were observed.

- (i). The expenditure of Rs.8,578,402 incurred in the preceding years which was of a revenue nature had been capitalised. Similarly expenditure of a capital nature had been accounted for as revenue expenditure. Eg. Expenditure for fish breeding tanks.
- (ii). Foreign aid and other grants had been held in deposit accounts. Eg. Foreign aid received from the United National Environmental Project and Grant received for fish pond at Head Office premises.

2.5.2. Omissions in the accounts:

The following items had not been brought to account.

<u>Item</u>	<u>Value</u> Rs.	<u>Observations</u>
(a) "Samudramaru" vessel	Value not ascertained	The value of the "Samudramaru" vessel handed over to the Agency for research work by the Ministry of Fisheries in 1985 had not been brought to account.
(b) Assets belonging to the Ministry held in the custody of the Agency	-do-	The moveable and immoveable property that belonged to the Ministry of Fisheries previously which are now in the custody of the Agency had not been vested in the Agency in terms of Section 35 of National Aquatic Resources Research and Development Agency Act No. 54 of 1981 and shown in the accounts.
(c) Consumable and Inventory items	Not ascertained	The value of the stock of consumables and inventory items which were held in the stores of the Agency as at December 31, 1986 had not been computed and brought to account.

(d).Electricity Charges	77, 198	Adjustments had not been made in the accounts relating to this amount paid by the Agency in respect of electricity bills of Fisheries Training Institute of Sri Lanka for the year under review.
(e) Officers. assigned from the Ministry of Fisheries	21,521	Rs.21,521 being the Remunerations of two officers assigned to the Agency by the Ministry of Fisheries had not been shown in the accounts.

2.5.3. Inappropriate disclosures:

The following inappropriate disclosures were observed in the accounts.

(a). Others	9,430	This expenditure incurred in respect of filing cabinets and steel cupboards had not been shown as office equipment.
(b). -do-	34,853	This expenditure incurred in respect of maintenance of buildings had been shown in the Balance Sheet as other fixed assets.
(c). -do-	16,254	This expenditure incurred in respect of supply of diesel to research vessel had been shown in the Balance Sheet as other assets.
(d). Vehicle Licence fees	5,300	The amount paid in 1986 in respect of licence fees for 1987 had been brought to account as an expenditure for 1986.

2.5.4. Evidence for audit:

The following items in the accounts could not be satisfactorily vouched or accepted in audit due to the lack of evidence indicated against each item.

<u>Accounts</u>	<u>Value</u> Rs.	<u>Evidence not made available</u>
(a). Fixed Assets	29,664,828	(i). Schedule of Fixed Assets. (ii). Evidence showing the physical verification of assets at the end of the year or during the year.
(b). Sundry Debtors	300,277	Individual debtors accounts and confirmations from the parties concerned.
(c). Deposits made by the Agency	321,144	Individual deposit accounts and confirmations from the parties concerned.
(d). Creditors and accrued expenses	614,203	Individual creditors and accrued expense accounts and confirmations from the parties concerned.
(e). Deposits in the Agency	1,134,668	-do-

2.5.5. Non-compliance with laws, rules, regulations and management decisions:

Instances of non-compliance with laws, rules etc. observed in audit are given below.

<u>Reference to law</u>	<u>Requirement</u>	<u>Details of non-compliance</u>
(a). Section 13(5)(d) of Finance Act No. 38 of 1971	The Agency should settle the minimum Internal Audit Programme by agreement with the Auditor General.	Internal Audit Programmes not submitted
(b). Section 13(6) of Finance Act No. 38 of 1971	Accounts to be rendered to the Auditor General for audit on or before April 30, in the ensuing year along with any report on the accounts which the Auditor General may require to be submitted in the manner specified by him.	Accounts for the year 1986 were rendered for audit on June 09, 1987. Reports on stocks and stores required to be submitted were also not furnished.

- | | | |
|---|---|--|
| (c). Section 14(1) of Finance Act No. 38 of 1971 | Copies of the Draft Annual report to be rendered to the Auditor General within 4 months after the close of the financial year. | A copy of the Draft annual report for the year 1986 was not rendered for audit even as at June, 09, 1987. |
| (d). Section 14(3) of Finance Act No. 38 of 1971 | Annual reports of the Agency in its final form to be laid before the end of 10 months after the close of the financial year. | Annual reports not tabled in Parliament from the inception of the Agency in 1981. |
| (e). Financial Procedure of the National Aquatic Resources Agency | An Annual Board of Survey to be held before the end of the financial year | An Annual Board of Survey not held for 1986. |
| (f). Financial Procedure of the National Aquatic Resources Agency | Salaries and advances remained unclaimed on the third day after the due date for the payment of salaries and advances to be transferred to the register and banked. | In certain instances salaries and advances unclaimed during the year under review had been kept in the custody of the casheir for more than 10 days. |
| (f). Financial Regulation No. 396 (d) | The value of cheques outstanding for over 6 months to be cleared or credited to revenue. | Action had not been taken to clear cheques amounting to Rs.10,538 |

2.5.6. Identified Losses:

The amount of Rs.274,158 shown as staff debtors under current assets as at December 31, 1986 included petty cash imprests totalling Rs.13,127 recoverable from 6 employees who had left the service of the Agency. The amount due to be recovered from this imprest as at October, 1987 was Rs.8,832. No provision had been made in the accounts in respect of this amount the recovery of which is doubtful.

2.5.7. Money Claims:

The advances amounting to Rs.126,859 made available to suppliers three years back for the supply of goods and services had not been settled even as at December 31, 1986. These advances were being recovered and the amount due to be recovered as at October 1987 was Rs.61,190.

3. Financial and Operating Review:

3.1. Financial Results:

According to the accounts the working of the Agency for the year ended December 31, 1986 resulted in a net operating deficit of Rs.4,538,360 as against a net operating deficit of Rs.1,974,832 for the previous year. The increase in deficit for the year was mainly due to the administration and establishment expenses exceeding that of the previous year by Rs.3,717,719 owing to the expansion of the activities of the Agency.

3.2. Budgetary Control:

The variations between the budgeted and the actual expenditure relating to the year under review were referred to in detail in my report in terms of Section 13(7)(a) of the Finance Act No. 38 of 1971 forwarded to the Agency. Some of the major variations referred to therein are given below.

<u>Item of Expenditure</u>	<u>Budget Rs.</u>	<u>Actual Rs.</u>	<u>Variation as a percentage</u>
1. Salaries & Wages	4,090,000	5,103,237	25%
2. Overtime	160,000	284,071	78%
3. Fuel	600,000	858,185	43%
4. Maintenance of vehicles & Equipment etc.	800,000	1,805,508	126%
5. Telephone	60,000	122,918	103%
6. Sundry Expenses	225,000	758,406	237%
7. Stationery	160,000	329,673	106%
8. Advertising	50,000	63,628	27%
9. Security Equipment	25,000	49,900	100%

In view of the particulars referred to above, it is not possible to be satisfied in audit that a satisfactory budgetary control was in operation during the year under review.

4. Systems and Controls:

Deficiencies in systems and controls observed in audit were included in my detailed report. Special attention is needed in the following areas.

- (a) Cash
- (b) Advances to staff for petty cash payments.
- (c) Purchasing
- (d) Fixed Assets
- (e) Accounting for foreign aid and grants
- (f) Budgetary control

Sgd. W. Gamini Epa
Auditor General.

NATIONAL AQUATIC RESOURCES RESEARCH & DEVELOPMENT AGENCY

Balance Sheet as at 31st December, 1986

1985

1986

	34,402,438.29		47,423,998.65
<u>Government Contribution</u>			
Balance B/F as per last year B/S			
Grants received for the year 1986	11,195,000.00		13,119,080.00
Foreign aid for the year 1986	<u>1,826,560.36</u>		<u>1,790,820.15</u>
Total contribution	47,423,998.65		62,333,898.80
	=====		=====
Recurrent expenditure as per last B/S	14,525,184.77		23,887,949.08
Recurrent expenditure during the year	<u>9,362,764.31</u>		<u>13,080,483.98</u>
Recurrent expenditure total	23,887,949.08		36,968,433.06
	=====		=====
<u>Contribution Employed</u>			
Balance B/F as per last year B/S	20,030,369.82		23,952,097.98
Grant for the year	4,070,000.00		4,619,080.00
Foreign aid for the year	<u>1,826,560.36</u>		<u>1,790,820.15</u>
Excess of expenditure over income	25,926,930.18		30,361,998.13
	<u>(1,974,832.20)</u>		<u>(4,428,237.20)</u>
	23,952,097.98		25,933,760.93
	=====		=====

Employment of Contribution

Fixed Assets

Buildings	10,303,092.59	1,372,411.07	8,930,681.52	10,925,363.15	2,402,720.32	8,522,642.83
Machinery	1,320,722.13	192,572.07	1,128,150.06	1,640,280.74	324,644.28	1,315,636.46
Equipmen	3,334,348.19	171,056.47	3,163,291.72	4,628,474.26	504,491.28	4,123,982.98
Furniture	376,116.00	58,902.07	318,063.93	481,445.50	96,598.67	384,846.83
Library Books & Journals	398,154.23	40,526.60	357,627.63	433,802.23	80,342.02	353,460.21
Vehicles	653,863.09	137,311.23	516,551.86	2,217,257.34	202,697.53	2,014,559.81
Miscellaneous	715,630.73	-	715,630.73	715,630.73	-	715,630.73
Others	-	-	-	759,802.50	-	759,802.50
Travelling	1,019,506.38	-	1,019,506.38	1,019,506.38	-	1,019,506.38
Fuel	906,761.57	-	906,761.57	906,761.57	-	906,761.57
Glassware & Consumables	2,920,065.99	-	2,920,065.99	2,920,065.99	-	2,920,065.99
Salaries & Allowances	3,016,437.40	-	3,016,437.40	3,016,437.40	-	3,016,437.40
	24,965,548.30	1,972,779.51	22,992,768.79	29,664,827.79	3,611,494.10	26,053,333.69
						29,664,827.79

Current Assets

Sundry debtors (Sche:01)	133,708.43			398,681.43		
Deposits (Sche: 02)	142,015.00			141,665.00		
Advances (Sche: 03)	513,558.29			321,143.99		
Debtors employees (Sche : 04)	293,317.33			274,158.25		
Bank & Cash (Sche: 05)	1,946,230.84	3,028,829.89		493,649.10	1,629,297.77	

Current Liabilities

Creditors & accrued expenses (Sche:05)	513,148.19			614,202.82		
Deposits (Sche: 06)	1,556,352.51			1,134,667.71		
Provision for depreciation (Sche:07)	1,972,779.51	4,042,280.21		3,611,494.10	5,360,364.63	
						(3,731,066.86)
						25,933,760.93

Signed

(Dr. Hiran W. Jayewardene)
CHAIRMAN

29th May, 1987.

Signed

(Dr. G.C.N. Jayasuriya)
DIRECTOR GENERAL

NATIONAL AQUATIC RESOURCES RESEARCH & DEVELOPMENT AGENCY

Income and expenditure account for the year ended 31st December, 1986

1985

1986

7, 125, 000.00	Government Contribution	8, 500, 000.00
<u>262, 932.11</u>	Sundry Income	<u>42, 123.40</u>
7, 387, 932.11		8, 542, 123.40

Recurrent Expenditure

Administration Expenses

3, 003, 128.25	Salaries	2, 635, 959.22
1, 255, 972.49	Allowances	1, 467, 276.51
322, 579.30	Employees Provident Fund & ETF	353, 438.93
210, 801.92	Overtime	284, 070.83
179, 683.07	Travelling	550, 927.98
346, 594.98	Security Services	307, 497.89
44, 778.50	Fees	33, 549.00
418, 076.35	Fuel	858, 185.11
75, 459.43	Advertising	63, 628.00
190, 306.81	Stationery	329, 673.43
26, 680.60	Postage	46, 818.25
104, 265.50	Entertainment	128, 733.62
32, 586.50	Welfare	33, 828.20
150, 203.79	Telephone	122, 918.25
61, 172.93	Foreign Travelling	10, 045.80
237, 856.56	Sundries	758, 406.28
845, 342.81	Maintenance of Motor Vehicles & Others	1, 805, 508.49
2, 599.50	Uniform	391.90

National Digitization Project

National Science Foundation

Institute : National Aquatic Resources Research and Development Agency(NARA)

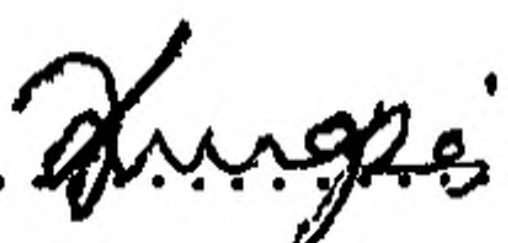
1. Place of Scanning : Crow Island, Colombo 15

2. Date Scanned :2017/04/26.....

3. Name of Digitizing Company : Sanje (Private) Ltd, No 435/16, Kottawa Rd,
Hokandara North, Arangala, Hokandara

4. Scanning Officer

Name :B. Kanagaraj.....

Signature :.....

Certification of Scanning

I hereby certify that the scanning of this document was carried out under my supervision, according to the norms and standards of digital scanning accurately, also keeping with the originality of the original document to be accepted in a court of law.

Certifying Officer

Designation : Chief Librarian

Name : B G Sunethra Kariyawasam

Signature :.....

Date :2017/04/26.....

“This document/publication was digitized under National Digitization Project of the National Science Foundation, Sri Lanka”