

ANNUAL REPORT - 1981

The National Aquatic Resources Research and Development Agency was established by an Act of Parliament No. 54 of 1981 (certified on 2nd September, 1981) and is the principal national institution charged with the responsibility of carrying out and co-ordinating research, development and management activities on the subject of aquatic resources.

The powers and duties of the Agency is vested in a Governing Board consisting of eight members appointed by the Minister and four ex-officio members consisting of the Secretary to the Ministry of Fisheries, Representatives from the Ministries of Industries and Scientific Affairs, and Finance and the Director General of the Agency.

The Act provides for a Standing Committee of the Agency known as the Scientific and Technical Committee, which would make recommendations to the Governing Board on the Annual Work programme and budget of the Agency and monitor the progress of the Research Projects approved.

The Act further provides for a National Aquatic Resources Management Council to:

- a. advise and make recommendations to the Minister on matters relating to the management and development of aquatic resources in Sri Lanka; and
- b. prepare and keep under continual review the Resources Management Development and Research Plan.

The Governing Board of the Agency held 7 meetings the first of which was held on 23rd September, 1981.

Some of the more important matters discussed at the meetings of the Governing Board during the period September to December, 1981 were:

1. Recruitment of Staff and the formal offer of employment in the Agency to those employed in the Institute of Fish Technology and the Research Division of the Ministry of Fisheries.
2. Formulation of Schemes of Recruitment.
3. Undertake an Annual Review of the various areas of activities related to aquatic resources and produce it in the form of a Year Book, so that it would serve as a standard source for decision makers.
4. Negotiate with the Indian National Institute of Oceanography (NIO) and arrange for collaborative work where by scientists from NARA could work on Indian vessels.

My No: C-13(B)/NARA/81

Auditor-General's Department
Torrington Square,
Colombo 7.

March 22, 1984.

The Chairman
National Aquatic Resources
Research & Development Agency

Auditor General's Report in terms of
Article 154(b) of the Constitution of
the Democratic Socialist Republic of
Sri Lanka on the accounts of the
National Aquatic Research and Development
Agency for the period September 16 to
December 31, 1981

The report containing my observations is sent
herewith.

Sgd./W. Gamini Epa
Auditor General

Copy to: S/Fisheries
S/Finance & Planning

March 22, 1984.

The Chairman
National Aquatic Resources Research
and Development Agency.

Audit Report on the Accounts of the
National Aquatic Resources Research
and Development Agency for the period
September 16 to December 31, 1981

The audit of the accounts of the National Aquatic Resources Research and Development Agency for the period September 16 to December 31, 1981 was carried out by me in pursuance of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

My observations arising from the audit appear in the paragraphs that follow:-

1.1. Introduction:

The National Aquatic Resources, Research and Development Agency was established under Act No. 54 of 1981. The powers and duties of the Agency are vested in a Governing Board consisting of eight members appointed by the Minister and four ex-official members all of whom hold office for two years. The term of office of the members of the first Governing Board commenced on September 16, 1981, the date on which the Agency commenced operations in terms of the Order made by the Minister under section 1 of the Act.

The Act provides for the appointment of a Director General by the Minister for the performance of administrative functions of the Board and a Secretary to the Board. The Act also provides for the establishment of a National Aquatic Resources Management Council to advise and make recommendations to the Minister and a Standing Committee of the Agency known as the Scientific and Technical Committee to receive and evaluate proposals for research and development and make recommendations to the Board.

(Contd/..2)

1.2. Rendition of Accounts:

The Director-General sent me a letter on September 10, 1982 forwarding the accounts for the period September 18 to December 31, 1981. However, the accounts were not signed and did not refer to any period.

Another set of accounts dated January 25, 1983 was received subsequently duly signed covering the period October 16 to December 31, 1981.

When further clarification was sought, the Secretary to the Governing Board by his letter dated September 9, 1983 informed me that "the Hon. Minister of Fisheries had by Gazette Extraordinary No. 157/5 dated September 9, 1981 declared September 16, 1981 as the appointed date for the commencement of the Governing Board of the Agency and for the commencement of its operations. Any date other than September 16, 1981 as declared in the Gazette referred to would not be in accordance with the provisions of the notification of the Hon. Minister of Fisheries. In view of the above the accounting period could be considered to commence on September 16, 1981 and end on December 31, 1981".

2. Accounts:

2.1. Opinion:

In view of the comments appearing in paragraph 2.5 below, I am unable to express an opinion that the accounts presented have been satisfactorily prepared on the basis of generally accepted accounting principles.

2.2. Financial Results:

According to the accounts rendered the working of the Agency for the period September 16 to December 31, 1981 resulted in an excess of income over expenditure of Rs.235,067. The following statement shows the financial results for the period under review:

(Contd/..3)

	<u>Period September 16 to December 31, 1981</u>	
	Rs.	Rs.
Receipts from Treasury	--	953,000
<u>Less: Expenditure</u>		
Salaries and Wages	415,728	
Board Expenses	12,948	
Maintenance of buildings, vehicles, machinery, furniture etc.	161,336	
Electricity	60,000	
Other expenses	<u>67,921</u>	<u>717,933</u>
Excess of Income over Expenditure		235,067 =====

2.3. Financial Structure:

The financial structure of the Agency as at December 31, 1981 is as follows:-

Resources

Government Contribution	6,181,000
Excess of Income over Expenditure	<u>235,067</u>
	<u>6,416,067</u> =====

Utilization

Fixed Assets at cost	19,290
Current Assets	6,542,614
<u>Less:</u>	
Current	
Liabilities	<u>145,837</u>
	<u>6,396,777</u> <u>6,416,067</u> =====

(Contd/..4)

2.4. Source and Application of Funds:

The following statement shows the source and application of funds of the Agency during the period under review:

Source:

Government Contribution	6,181,000
Excess of Income over Expenditure	<u>235,067</u>
	6,416,067

Application:

Purchase of Fixed Assets	<u>19,290</u>
Working Capital as listed below	6,396,777
Cash in Hand and at Bank	6,481,139
Debtors	14,600
Advance to supplier	46,875
Creditors	(4,110)
Accrued Expenses	<u>(141,727)</u>
	<u>6,396,777</u>

2.5. Comments on Accounts:2.5.1. Transfer of Assets from Ministry:

The Agency is said to be in possession of all properties which previously belonged to the Institute of Fish Technology and the Research Division of the Ministry of Fisheries. However, the vesting of these properties in the Agency has not been published in the Gazette by the Minister in terms of Section 35 of the Act up to the date of this report. These assets should have been valued and brought to account in terms of Treasury Circular No. 842 of December 19, 1978.

(Contd/..5)

2.5.2. Fund of Agency:

Section 29 of the Act states that the Agency shall have its own fund for the receipt of money voted by Parliament, operational income, gifts, donations etc. and for the payment of expenses incurred.

Of a total Government grant of Rs.7,134,000 received up to December 31, 1981, the Agency had treated Rs.953,000 as income and the balance sum of Rs.6,181,000 as Government contribution. The reason for this treatment could not be ascertained in audit.

The Board has not framed any regulations for the purpose of withdrawal of money from the Fund and investment thereof in terms of Section 30 of the Act. It had, however, been decided at a meeting of the Board held on November 20, 1981 to follow the Financial Regulations and Establishment Code for the interim period.

2.5.3. Maintenance of Ledger:

(a) The ledger had not been balanced and a trial balance had not been extracted as at December 31, 1981.

(b) The following items could not be vouched satisfactorily or accepted in audit since the balances appearing in the ledger differed from that disclosed in the statement annexed to the account.

<u>Account</u>	<u>Balance as per ledger</u>	<u>Balance as per Statement</u>
	Rs.	Rs.
Salaries & Wages	344,417	342,659
Overtime	5,642	5,709
Accrued Expenses	4,264	141,727

(Contd/..6)

2.5.4. Schedules:

Detailed schedules in respect of the following items appearing in the accounts were not made available to audit:

<u>Item</u>	<u>Value</u> <u>Rs.</u>
Debtors Employees	14,600
Advance to supplier	46,875
Creditors	4,110

2.5.5. Confirmation of Debtors' and Creditors' balances:

No confirmation had been called for in respect of debtors' and creditors' balances appearing in accounts.

2.5.6. Remuneration of members of the Board:

An allowance of Rs.100 per meeting had been paid to the members of the Governing Board by the Agency. This remuneration did not appear to have been determined by the Minister in terms of Section 20 of the Act.

The Director General referred me to a letter received in April 1982 from the Ministry of Fisheries in reply to a request for enhanced allowances and informed me that it was implied that Rs. 100, had been approved by the Ministry but the relevant documents were not readily available.

2.5.7. Payments to ministerial staff:

Four officers of the Ministry of Fisheries had been paid monthly allowances from September 1981 at rates ranging from Rs.250 to 750.

The authority of the Director of Establishment for engaging the services of these officers and making payments was not available for audit verification.

2.5.8. Insurance:

The assets of the Agency had not been insured against risks such as fire etc.

(Contd/..7)

2.5.9. Personnel:

It was revealed in audit that personnel attached to the Institute of Fish Technology and Research Division of the Ministry of Fisheries had been absorbed into the service of the Agency since October 1981. No evidence was however, made available to indicate that the procedure stipulated in Section 24 of the Act and Section 6 to Chapter II of the Establishment Code had been followed in regard to the absorption of staff. In view of this the expenditure on salaries and wages amounting to Rs.380,159 could not be vouched satisfactorily or accepted in audit.

The Director General informed me in November 1983 as follows:

"The staff attached to the two divisions viz; Fish Technology and Research were seconded to NARA and thus they formed the nucleus of NARA staff. After Secondment action was pursued with the Ministry of Public Administration to have the posts abolished. However, before action could be finalised to abolish their posts they were offered employment in accordance with the terms and conditions of employment under the Agency. With the abolition of posts with effect from 1st February 1982 all the officers accepted their appointments. It would thus be seen that the officers were appointed and not absorbed and therefore the procedure stipulated in Section 24 of the Act does not arise".

2.5.10. Other Deficiencies:

(a) Maintenance of Buildings:

The expenditure shown under this item includes a sum of Rs.136,213 being cost of acquisition of capital items which should have been capitalised.

(b) Unclaimed Salaries

No provision had been made in the accounts in respect of unclaimed salaries amounting to Rs.1,758.

3. Financial and Operating Review:

According to the accounts, the Agency has an excess of income over expenditure of Rs.235,067 for the period of approximately three and a half months from the date of commencement viz; September 16 to December 31, 1981.

The Agency had treated Rs.953,000 out of the total Government Grant of Rs.7,134,000 as income and arrived at the above financial results.

During the period under review the Agency was engaged mainly with the establishment and administrative matters.

4. Systems and Controls:

(i) Delegation of Authority:

There was no evidence that the Board had formally delegated its authority and functions to officers of the Agency for financial control and management.

(ii) Security:

Officers handling cash, cheques, stores and other assets had not been requested to furnish security by the Agency.

(iii) Internal Control:

The system of internal control appeared to be weak with regard to cash and other assets, preparation and maintenance of accounting documents and records and ascertainment of liabilities at the end of the year. There had been no detailed planning of all procedures and assignment of functions to various personnel in the Agency. The deficiencies observed during the course of audit are enumerated below:

(a) Cash:

Unclaimed salaries for the month of October 1981 had remained in the hands of the paying officer for 2 months and the petty cash balances as at the end of the year had been neither refunded nor verified by a responsible officer. Advances granted for special purposes had remained unsettled for more than 1½ months. A number of petty cash imprests had been granted as and when applied for, but the basis on which the upper limits had been fixed were not available for audit examination. Imprests had been obtained from Treasury without ascertaining the actual Cash requirement of the Agency and as a result a large portion of the imprest had remained unspent at the end of the year.

(Contd/..9)

(b) Other Assets:

Registers of fixed assets and inventories had not been maintained to ensure proper control and efficient utilisation. The assets had not been physically verified at the date of the Balance Sheet or any other date during the period under review.

(c) Preparation and Maintenance of Accounting Documents and Records:

The payment vouchers had not been checked before payment had been made by the officer who certified the expenditure. No reference to authority for expenditure, folios of cash books and ledger had been indicated in the payment vouchers. Payment vouchers in respect of inventory items did not contain inventory certificates to facilitate the examination without reference to other records. Documents such as requisitions, Goods Received Notes and Goods Issued Notes had not been introduced. The stamped receipts had not been affixed to most of the payment vouchers.

A proper cash book had not been used for recording and classifying the cash transactions. The bank reconciliation statements had not been authenticated by a responsible officer.

(d) Accrued Expenses:

Accrued expenses as at the end of the year had been indicated in the Income and Expenditure Account without recording them in any of the books of accounts. There was no evidence to indicate that all liabilities as at the end of the year were ascertained and brought to account by the Agency.

Sgd./W. Gamini Epa
AUDITOR GENERAL

Copy to: S/Fisheries
S/Finance & Planning.

National Aquatic Resources Agency

Statement of Income & Expenditure for the period 16th October 1981 to

31st December, 1981

	<u>Expenditure</u>	<u>Receipts</u>	
1.	General Administration	474,610.74	Receipt from Treasury
2.	Overheads and maintenance	230,374.75	Rs. 953,000.00
3.	Board expenses	12,947.50	
4.	Excess income over expenditure	<u>235,067.01</u>	
		Rs.953,000.00	
		=====	

CERTIFICATE OF THE AUDITOR GENERAL

The accounts of the National Aquatic Resources Research and Development Agency for the period September 16 to December 31, 1981 were audited under my direction in pursuance of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

My observations on these accounts are contained in my report of even date addressed to the Chairman of the Agency.

Sgd./W. Gamini Epa
AUDITOR GENERAL.

AUDITOR OFFICE,
COLOMBO - 7.

22nd March, 1984.

NATIONAL AQUATIC RESOURCES AGENCY

Balance Sheet as at 31st December 1981

Government)			17,730.00
Contribution)	6,181,000.00	Furniture	
		Books & Journals	1,560.00
Income over)			
Expenditure)	235,067.01		
<u>Current Liabilities</u>			
Creditors	4,110.00	<u>Current Assets</u>	
Accrued)		Debtors-Employees	14,600.00
expenditure)	141,726.79	Supplies	46,875.00
		Bank Balance	6,479,078.40
		Cash in Hand	2,060.40
			<u>6,542,613.80</u>
			6,561,903.80

Sgd./Dr. Hiran W. Jayewardene.
.....
Chairman

Sgd./Dr. S.K. Onil Perera.
.....
Director General

Date :

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