

National Aquaculture Development Authority – 2018

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the National Aquaculture Development Authority of Sri Lanka (“Authority”) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to the Parliament appear in this report.

In my opinion, because of the significance of the matters discussed in the paragraph 1.5 of this report, the accompanying financial statements do not give a true and fair view of the financial position of the Authority as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Disclaimer of Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority’s ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

1.4 Auditor's Responsibility for the Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority ;
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standard

| Non - compliance with reference to the Standard | Management Comment | Recommendation |
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| a) Overprovision of Rs. 12,114,266 had been made due to calculate the gratuity provision including the adjustment allowance of the gross salary when calculation of gratuity in the previous year. Further according to the paragraph 47 (a) of the Standard 3, comparative figures had not been mentioned in the financial statements after correcting the error in the year under review. | A provision is made in order to minimize the unexpected effects which can be occurred to the financial values (profit / loss) of the financial statements of the institute and payments are done based on the correct calculations when making payments. Consideration of adjustment allowances to the provision of gratuity is complying with the | Provision for gratuity should be made for the basic salary and the cost of living allowances which were paid according to the Management Services Circular No. 02/2016 dated 25 April 2016. |

Prudence Concept because the adjustment allowances will be added to the basic salary definitely in future.

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| b) | According to the Section 47 of the Sri Lanka Public Sector Accounting Standard 07, when the fair value of property, plant and equipment differs materially from its carrying value, assets should be revalued in every three of five years. However all assets had not been revalued by the Authority after the year 1998 which the Authority commenced. | Although revaluation of all assets as at 31 December 2012 were handed over to the Department of Valuation in the year 2013, it was unable to adjust the accounts due to absence of completed assessment reports which were given by the Department of Valuation incompletely. | Financial statements should be prepared comply with the Sri Lanka Public Sector Accounting Standard. |
| c) | According to the Section 14 of the Sri Lanka Public Sector Accounting Standard 10, revenue should be measured on the accrual basis. However a receivable amount of Rs. 299,222 according to the agreement entered into with the National Gem and Jewellery Authority in the year 2018 had not been accounted on the accrued basis. | Gems received from the Udawalawa Center in the year 2018, were auctioned in a public auction by the National Gem and Jewellery Authority. Even though it was mentioned that values were informed in writing to us, it was not received up to the end of the year 2018. The correct amount of such revenue should be known to take the values in to accounts on the accrual basis. | Actions should be taken to recover the amount which should be received to the Authority according to the agreements of the auction and to show in the accounts. |

1.5.3 Accounting Policies

| ----- Audit Issue ----- | ----- Management comments ----- | ----- Recommendation ----- |
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| Accounting policies for the capital grant received from the Treasury amounting to Rs. 250,000,000, Ministry grant of Rs. 833,996,183, recurrent grant of Rs. 380,000,000 and biological assets amounting to Rs. 15,539,130 had not been disclosed in the financial statements. | Those were disclosed in No. 2.6 and 2.11 under the accounting policies of the financial statements. However actions to be taken to improve the methodologies, base, policies and information affected to financial statements which were used for accounts of the year 2019. | Actions should be taken to disclose the accounting policies. |

1.5.4 Accounting Deficiencies

| ----- Audit Issue ----- | Management comment ----- | Recommendation ----- |
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| (a) Although retention money relating to 8 construction contracts amounting to Rs. 3,097,101 had not been paid, it had not been included in the value of working progress amounting to Rs. 56,814,799 of the cash flow statement. | Money retained on contracts had been entered when preparing accounts for the year 2018 by mistake. Actions will be taken in the year 2019 considering such matters. | Cash flow statements should be prepared correctly. |
| (b) The land which the Nuwaraeliya Provincial Aquaculture Development Centre located had been transferred by the Ministry to the Authority as a donation in the year 1999 and the value of the said land had been assessed to Rs.12,635,000 and taken into accounts. Due to a conflict occurred subsequently relating to settlement of the land; a sum of Rs. 9,237,500 had been paid to a Government Corporation for purchasing the said land. The amount subsequently paid had been added to the value of the land instead of deducting from the capital reserve. | It was informed that the assessed value of the land was Rs. 18,475,000. It should be taken in to accounts a sum of Rs. 5,840,000 as value of the land. Accordingly the amount over accounted was Rs. 3,397,500. However, it was not mentioned that the value of the land should be recognized as Rs. 18,475,000 in the accounts. Further this value was also given by the Department of Valuation as a value of assessment. | The amount paid later should be deducted from the reserves due to the estimated value of the land was taken into accounts. |
| (c) The value of 19 construction contracts which had been completed work as at 31 December of the year under review had been understated by Rs. 35,808,699 and the value of 08 construction contracts had been overstated by Rs. 11,361,326 in the financial statements. | Contracts of which the construction were completed were capitalized and contacts of which the constructions were being carried out were recognized as working progress. Rectifications will be taken after studying the information mentioned in the audit query. | Actions should be taken to post the correct amount of constructions which were completed work into accounts. |

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| <p>(d) Although constructions of the labour's hostel of the Aquaculture Development Centre Udawalawe had been completed on 30 November 2018, a sum of Rs. 12,346,772 incurred thereon had been shown under the work in progress of the financial statements instead of being capitalized as building.</p> | <p>The completed contract was taken over from the contractor on 30 November 2018 and the final bill was submitted on 08 March 2019. The said construction had been recognized as work in progress because the complete construction value not being reported to the accounts section and information for calculation not being submitted.</p> | <p>Buildings which the construction had been completed should be taken into accounts as assets.</p> |
| <p>(e) Grants relating to recurrent expenditure amounting to Rs. 160,131,832 which had been incurred from the capital grant since the year 2014 to the year under review and written off to the income had been taken into accounts as a reserve without accounting as revenue of the statement of income due to unavailability of accounting policy. Therefore the loss for the year under review had been overstated by Rs. 54,726,364 in the financial statements.</p> | <p>Actions to be taken to rectify since the year 2019 identifying the correct method.</p> | <p>Capital grants and recurrent grants should be identified correctly and accounting policies should be prepared according to the Sri Lanka Accounting standard and the financial statements should be prepared accordingly.</p> |
| <p>(f) Value of the opening stock and closing stock relating to the brood stock maintained by the Authority in order to breeding fish seeds had been shown at the cost without identifying the fair value of the said stock due to a policy for valuation of biological assets was not available. Therefore the gross profit for the year had been overstated by Rs. 7,462, 530.</p> | <p>If it was not identified at the cost, parent fish had to be recognized as an asset. In that case, the difference occurred in the opening and closing stock annually had to be adjusted to the profit and loss account. Accordingly the loss for the year under review was not understated.</p> | <p>An appropriate accounting policy should be prepared according to the Sri Lanka Accounting Standard 41 for accounting the parent fish stock as a biological asset.</p> |

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| (g) | Value of 16 land used by the Authority had not been assessed and taken into accounts even as at 31 December 2018. Further the estimated value of two lands located at Udawalawa amounting to Rs. 89,630,000 transferred at the establishment of the Authority in the year 1998 had not been taken into accounts. | The value of these lands had not been obtained through a revaluation. The process of transferring few plots out of said lands to the Authority was not finished up to now. It was scheduled to be taken action to revalue lands acquiring even through a Cabinet Paper. | The value of assets of the Authority should be identified accurately and should be taken into accounts and actions should be taken to take the assessed value into accounts. |
| (h) | The value of long term investment of Rs. 2,000,000 had been shown under the current assets of the financial statements for the year under review. | Not commented | Actions should be taken to show the long term investment under the non- current assets. |
| (i) | Three lands located in Polonnaruwa,Pitiyana and ,Panapitiya valued at Rs. 5,000,000 of which the Authority had transferred to other institutes had not been written off from the accounts even up to the end of the year under review. | Actions will be taken to write off the value of these lands from the accounts in the year 2019. | Actions should be taken to write off the assets which had been transferred to other institutes from the accounts. |

1.6 Non -compliance with Laws, Rules and Regulations

| Reference to laws, rules regulations etc. | Non compliance | Management Comment | Recommendation |
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| (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | | -- |
| (i) Financial Regulations 135 (4) | A sum of Rs. 96,889,323 had been paid by certifying Sixty two vouchers by an officer who had not the authority to certify vouchers. | All transactions had been done according to the relevant certifications and approvals. In an event of an officer was absent for the duty, authority | Authority should be delegated to the officers as per the Financial Regulation |

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| | | was transferred to the officer who signed acting duties on behalf of the officer as a tradition of the Authority. Accordingly the account assistant has taken actions correctly. | 138. Certification and approval of vouchers should be prepared as per the Financial Regulations. |
| (ii) | Financial Regulation 138 (8) | An officer who is empowered to certify vouchers should be certified that the voucher is accurate and complete in every detail. However a sum of Rs. 5,500,000 had been paid based on the photocopies of vouchers without such certification and source documents. | Not commented Actions should be taken to make payments based on the vouchers and other source documents. |
| (iii) | Financial Regulation 396 | Actions had not been taken according to the Financial Regulation in respect of 8 cheques valued at Rs. 152,056 exceeding a period of 6 months from the date of issued. | Instructions were given to find out the reasons for which the cheques valued at Rs. 152,056 not being presented and to take actions according to the Financial Regulation. Actions should be taken as per the financial Regulation in respect with the expired cheques. |
| (b) | Financial Regulation 610 and the Circular No.MOPF/ERD/2011/01 dated 21 April 2011 and the Circular No. MOPF/ERD/2014/01 dated 26 June 2014 | Although all transactions relating to the foreign grant valued at Rs. 14,602,284 received in 5 instances in the year 2013 should be reported to the Director General of the Department of Foreign Resources, without doing so, it had been entered into agreements maintaining relationships directly with the institutions which had been given foreign grants. | These researches are being carried out mainly by the University of Wayamba and the University of Ruhuna and coordination of activities relating to implantation of fresh water prawn claves are done by the Authority for the above purpose. Actions should be taken as per the Financial regulations and instructions of the Circulars. |

- (c) Paragraphs 5.2 and 5.2.1 of the Chapter XV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka
- A sum of Rs. 681,588 recoverable from an officer who had gone abroad for studies on no pay leave in the year 2015 and had not served for the compulsory period of service had not been recovered from the said officer.
- Letters were sent to Mr. Upul Wasantha Kumara who went abroad with no pay leave in the year 2015 to recover the sum of Rs. 681,588 due to not being served in the compulsory period of time.
- Actions should be taken as per the instructions of the Chapter XV of the Establishment code.
- He had informed that he is unable to pay the said amount and he could come again to the service. However the Board of Directors rejected to take him to the service and actions were taken to recover the said amount from the grunterns.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 80,646,668 and the corresponding deficit for the preceding year amounted to Rs. 45,307,362. Therefore a deterioration amounting to Rs. 35,339,306 of the financial result was observed. Even though sales and recurrent revenue were increased by Rs. 76.6 million and Rs. 36.9 million respectively, the reason for the deterioration is increase of administration expenses and distribution expenses by 98.2 per cent and 62.5 per cent.

3. Operational Review

3.1 Management Inefficiencies

| | Audit Issue ----- | Management Comment ----- | Recommendation ----- |
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| (a) | Although stock of fish nets valued at Rs. 21,409,109 had been remained in 15 centres including the head office as at 31 December 2017, a sum of Rs. 7,183,576 or 80 per cent out of Rs. 8,530,315 incurred for parent fish management up to 30 September 2018 had been incurred for purchasing fish | Purchasing should be made from foreign countries after calling quotations from local supply agents. It takes time more than 6 months for the purchasing process. Therefore the | Maximum and minimum stock levels should be maintained before purchasing fish nets and purchasing should be made according to the requirement checking the existing stock. |

- nets. Even though stock of fish nets valued at Rs. 17,708,604 had been remained in Dambulla, Kalawawa, Udawalawa, Iranamadu and Muruthawela centers fish nets valued at Rs. 4,900,000 had been distributed to the same centres in the year 2018.
- said fish nets were purchased at least for 3 years requirement.
- (b) Actions had not been taken to recover the dividend which should be received to the Authority for the years 2017 and 2018 as per the Investment Agreement relating to establishment of hatchery by investing Rs. 2,000,000 under the Public Private partnership for reproduction of black tiger prawns.
- It was informed to the Blue Lagoon Aquaculture (Pvt) Ltd. by the letter No. NQ/07/MO/LAGOON dated 25 June 2019 to pay 30 per cent of the profit earned in the year 2019 and 2020 to the Authority because the second stock of fish had been brought on 20 September 2018.
- Actions should be taken to recover the 30 per cent dividend as per the private entrepreneur agreement.
- (c) The vehicle reserved to a Director of the Authority had met with an accident on 30 July 2018 and the damage occurred was Rs. 5,164,091. Police reports had not been obtained in this regard and even though 9 months had lapsed up to 02 August 2019, actions had not been taken to repair and recover the damage.
- This vehicle was insured at Rs. 5,795,000.00 under the Sri Lanka Insurance Corporation. It was proposed to pay a sum of Rs. 3,500,000 to the Authority as the damage. We did not agree with the said amount and legal actions will be taken to in the future.
- Immediate actions should be taken to recover the damage as per the instructions of the Circular.
- (d) Actions had not been taken to recover the overpayment of Rs. 381,291 paid to 7 retired officers even up to 10 June 2019 because payment of gratuity had been made on the basis of gross salary.
- Overpayment had to be made due to calculation of gratuity based on the salary with the interim payment. However actions were taken to recover the said amount.
- Payment should be made on the accurate calculations and actions should be taken to recover the said amount.
- (e) A sum of Rs. 42,572,925 had been paid to the supplier as an advance for purchasing 3 machines valued at Rs. 161,400,000 for removing weed and odds and ends under the Lagoon Development programme and payment of advance had been made based on
- Advances were issued to the supplier by the Authority based on the bond according to the regulations of procurement. The validity of the bond was inquired
- Actions should be taken to avoid such situations which can be occurred in future having disciplinary investigations against to the officers who connected such activities.

the fraud bond documents and fraud signatures. So, the said improper payment of Rs. 42,572,925 had been allowed to personal use during a period of 6 months and had been recovered. only from the legal section of the Authority instead of inquiring from the bank issued. A letter was sent to the Secretary to the Ministry of Fisheries and Aquaculture Resources to black list the company.

- (f) Although a land 01 acre in extent had been given to construct the sea cucumber breeding hatchery of Oleithudawai in Mannar district, construction plans had been prepared for a land of 4 acres. Therefore it had been planned to produce 700,000 to 1,000,000 number of sea cucumbers. However it had been limited to 350,000. Further a feasibility study had not been carried out in connection with the said project. A new payment was not made to the Consultancy Institute for preparing plans on the change of the land. Plans were changed again through the payment made earlier. Accurate plans should be prepared after a feasibility study.

3.2 Transactions in Contentious Nature

| Audit Issue | Management comment | Recommendation |
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| <p>A sum of Rs. 25,185,181 had been incurred for supplying of water and electricity for the project which had been planned to carry out construction during the period from August 2016 to August 2018 in order to improve marine aquaculture production in a land belonged to the buffer zone in Mannar district. However it was observed in the physical audit verification that the said project had not been commenced up to February 2019 because the said land had not been settled.</p> | <p>The commencement of this project was delayed due to non-settlement of lands. The Environment Assessment Study report was handed over to the Department of Wildlife to release the relevant land legally from the natural sanctuary. Other actions could not be taken until the land release legally.</p> | <p>A feasibility study should be carried out for the project and Government provisions should be incurred if there will be a successful project. Further necessary Control Systems should be prepared thereon.</p> |

3.3 Idle or underutilized Property, Plant and Equipment.

| Audit Issue | Management comment | Recommendation |
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| Government residents No. 04 and 06 under the Aquaculture Centre Nuwaraeliya were needed to be repaired and it had been remained idle without repairing and using since November 2015. | Priorities were given for essential constructions on the limited provisions for the year and instructions were given to carry out necessary repairs as per the provisions. | Actions should be taken to repair and to use. |

3.4 Delays in Projects or Capital work

| Audit Issue | Management comment | Recommendation |
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| (a) A sum of Rs. 102,322,224 had been incurred in the year 2017 to construct the hatchery under the National Food Programme in order to increase the production of fresh water prawn claws. Even though a period of one year had lapsed up to 05 November 2018 farming of shrimp had not been commenced in the hatchery. | Initial activities of the said project had been fulfilled up to now and production of seeds had been commenced since April 2019. For the time being freshwater shrimp larvae valued at Rs. 1.42 million had been produced and released | Actions should be taken to fulfil the objectives of the project. |
| (b) Nuwaraeliya Aquaculture Development Centre had been constructed in order to reproduction of fish seeds and distribute to Fisheries associations and to release to reservoirs. Although a project for reproduction of Trout fish had been commenced in the year 2014, the said project had been suspended since May 2018 because the trout fish had been named as an aggressive fish by the Ministry of Mahaweli Development and Environment. As a result, buildings and tanks constructed in the hatchery had been remained idle without using for any purpose. | This trout fish were named as an aggressive and external fish by the Bio Diversity Unit of the Ministry of Mahaweli Development and Environment in the year 2017. Accordingly the process of reproduction and distribution of the said fish had to be given up. A successful reproduction had been done in the Nuwaraeliya Centre. | Actions should be taken to use the said assets to reproduce other fish or any other useful purpose. |

3.5 Procurement Management

| Audit Issue | Management comment | Recommendation |
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| (a) Fungal tests and fish sensitivity tests had not been tested by the Technical Evaluation Committee in the procurement of fish diet for 12 centres valued at Rs. 59,975,000 in the year under review. As a result of purchasing of inappropriate fish diet , 17170 kilograms of fish diet ordered for 04 months had not been supplied. | When the humidity increases, the moisture content increases and it becomes favourable to the microbial growth Further matters such as storing in a humid environment can cause damage to fish, contaminating the storage environment can be affected. Even though foods were in a good condition at the time of purchase, microbial infections can cause later due to such reasons. | Procurement Guidelines should be followed when purchasing food and it should be stored up to the standard. |
| (b) The item of existing office building renovation according to the agreed bills of quantities relating to the construction of Kusalabangadeniya marine ornamental fish hatchery had been changed as construction of office building removing the existing building and a sum of Rs. 943,869 had been paid for changes of quantities and new items added thereof under the engineering approval . However variation orders relating to it had not been issued. | The amount of the contract agreement was not increased based on the total contract value and excess savings. Hence the approval of the procurement committee was not obtained. | Actions should be taken as per the Government Procurement Guidelines of the Democratic Socialist republic of Sri Lanka. |
| (c) According to the Guideline 4.3.2 of the Procurement Guideline 2006, even though cost estimates exceeding Rs 100 million should be | Approval of the procurement committee should be given first for any project and action will be taken to enter in | According to the instructions of the Procurement Guideline 2006, total cost estimate should be approved by |

approved by the Chairman of the Authority, approval of the Head of the Department had not been obtained for cost estimates relating to 3 contracts.

to an agreement for implementation of the approved project. Recruitment of staff relating to the project will be carried out as per the agreement which was approved by the procurement committee including the Chairman.

- (d) Although Regional Procurement Committee should be appointed up to Rs. 1 million, a regional procurement committee had been appointed for purchasing thread and yarn valued at Rs. 2,038,201.
- The procurement was done through the regional procurement because it was a less value at the beginning. However the said value increased later. Accordingly it should be done through the Regional Procurement Committee.
- Actions should be taken as per the instructions of the Procurement Guideline.

3.6 Deficiencies in Contract Administration

| Audit Issue | Management Comment | Recommendation |
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| (a) Out of the provision of Rs. 40.57 million made for construction of new reproduction hatchet in the fresh water shrimp hatchet at Pambala in the years 2017 and 2018, a sum of Rs. 14,789,817 had been incurred and constructions had not been completed even up to the end of the year under review. Even though there were opportunity to fulfill the construction of new reproduction hatchery by the same contractor, work had been awarded separately without a requirement. The delay had been occurred due to the said reason. | There was a requirement of construction of new hatchery with the new technology than the first hatchery in the Pumbala center and it needed more time to add the results of research sections. Therefore it took a time to commence the second stage which the finishing works. Hence the said delay occurred. | Actions should be taken as per the Guideline. |

- (b) The Government land 85 hectare in extent had been released by the Divisional Secretary to the Authority for the project for construction of proposed crab hatchet by incurring Rs. 83 million. Even though it had been planned to give the said land to selected investors, any specific methodology had not been prepared to hand over the land plots to private investors. Further a methodology for entering into agreements for recovering benefits had not been introduced.
- A discussion was held with the Department of the Commissioner of Land regarding the methodology for giving lands to private parties. Constructions were not commenced due to lack of provisions for the year and publishing of paper notices were delayed. Hence selection of beneficiaries was delayed.
- A specific method should be prepared to give lands under the project and it should be entered in to agreements for recovering benefits.
- (c) Provisions of Rs. 100 million had been allocated for construction of marine ornamental fish hatchery Kusalabangadeniya. Even though said project should be completed within 9 months from 02 March 2018 to September 2018, the physical progress even as at March 2019 was only 80 per cent.
- I would like to inform that constructions were delayed.
- Controlling systems should be prepared to complete within the due period as per the agreements. Although two extensions had been given constructions were delayed. As the constructions had not been completed as at 10 July 2019, attention of the management should be paid in this regard.
- (d) Contract for consultancy service had been awarded at Rs. 9,895,000 for planning and administration activities of the construction of sea cucumbers hatchery at Oleithudai in Mannar. A sum of Rs. 7,226,068 had been paid up to November 2017 in this regard. However constructions had not been completed as planned. Hence other consultant had been appointed on 29 March 2018 and a sum of Rs. 3,454,500 had been paid on contract administration.
- According to the section 5 of the agreement, a representative of the engineer who was responsible to the engineer was appointed and accordingly the engineer had delegated his powers to the representative of the engineer. A sum of Rs. 3,547,500 was paid to the representative of the engineer that is the consultancy institute. Therefore the above
- Necessary systems and control methods should be introduced. Actions should be taken according to the Procurement Guideline and to get fulfill the work as agreed.

mentioned amount was paid for fulfilling requirement of the client by the representative of the engineer (consultancy institute)

4. Accountability and Good Governness

4.1 Presentation of Financial statements

| Audit Issue | Management comment | Recommendation |
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| According to the paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, even though financial statements should be presented to audit within 60 days after the close of the financial year, the financial statements of the Authority had been presented on 15 May 2019 with a delay of 75 days. Further Draft annual report which should be presented along with the financial statements had not been presented. | Not commented | Actions should be taken as per the Circular. |

4.2 Internal Audit

| Audit Issue | Management comment | Recommendation |
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| (a) Internal audit examinations had not been carried out relating to activities valued at Rs. 662.87 million included in the internal audit plan for the year 2018. | Instructions were given to prepare the audit plan as per the staff in future. | Internal audit should be strengthening as per the Financial Regulation 133. |
| (b) It was observed that, follow up actions in connection with the internal audit recommendations relating to 11 reports issued in the year 2018 had not been carried out by the internal audit section. | Two management assistant officers employed in the internal audit section had to audited 47 units including the head office of the Authority, extension offices and supervising units including the staff over 700 officers. Therefore | Necessary systems and controls should be prepared as per the Financial regulation 133 to correct the entire situation paying attention to the deficiencies of the internal audit reports. |

internal audit plan could not be implemented without sufficient staff and implementations of audit recommendations and follow up actions were hampered. However instructions were issued to minimize this situation.

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| (c) There was not adequate internal audit staffs to implement strong internal audit paying attention to financial audit, system analysis, performance analysis and special investigations relating to 16 Aquaculture Development Centres, 23 District Aquaculture Extension offices, 04 Assistant Director offices, and 47 offices including 03 monitoring offices. Therefore an internal audit had not been carried out adequately. | Not commented | Necessary methodologies should be applied to strengthen internal audit paying attention for Financial Regulation 133. |
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4.3 Sustainable Development Goals

| Audit Issue | Management Comment | Recommendation |
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| All Statutory Institutions should act according to the 2030 Agenda of United Nations for Sustainable Development Goals and the National Aquaculture Development Authority had implemented the activities under their purview for the year under review. Even though 12 key performance indicators had been identified , such indicators had not been used to measure the achievements on the targets | Not commented by the management | Plans should be prepared and implemented to obtain the performance based on the Agenda paying attention to the sustainable Development Goals. |