

Head 290 – Department of Fisheries and Aquatic Resources

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Fisheries and Aquatic Resources for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended 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 to be read in conjunction with provisions of the National Audit Act No.19 of 2018. The summary report including my comments and observations on the financial statements of the Department of Fisheries and Aquatic Resources was issued to the Accounting Officer on 29 May 2020 in terms of Section 11(1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Audit Report relating to the Department was issued to the Accounting Officer on 17 September 2020 in terms of Section 11(2) of the National Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act No.19 of 2018.

In my opinion, except for the effects of the matters described in the paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with the provisions in Public Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Department of Fisheries and Aquatic Resources as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified 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 Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer on the Financial Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and the provisions in Section 38 of the National Audit Act No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities on the Audit of the 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 General'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 skepticism 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 internal control of the Department.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Evaluate the overall presentation, structure and content of the financial statements in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

In terms of Sub-section 6 (1)(d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings.

- (a) The financial statements had been consisted with preceding year.
- (b) The Recommendations made by me on the financial statements of the preceding year regarding the observations in paragraphs 1.6.2(a),(b) and 1.6.3(a) of this report had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Although the total income was calculated as Rs.58,717,336 when calculating fisheries revenue registers, the sum of the monthly summaries was Rs.58,897,336, a difference of Rs.180,000.	The reasons for the difference should be identified and the income should be accounted for accurately as compared to the accompanying departmental books.	Officers were instructed to maintain proper revenue records of the department to avoid such shortcomings.

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| <p>(b) Even though the other non-revenue receipts of the Department according to the monthly account summaries of the year under review amounted to Rs.30,516,619, that amount was stated as Rs.29,287,323 in the statement of financial performance less than Rs.1,229,296</p> | <p>Income must be properly accounted for.</p> | <p>Officers were instructed to avoid shortcomings and maintain proper revenue records.</p> |
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1.6.2 Statement of Financial Position

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) Although the property plant and equipment as at 31 December 2019 was Rs.742,365,856 as per the treasury books, that value was Rs.620,871,012 in the assets report, which represented a non-comparison of Rs.121,494,844.</p>	<p>The reasons for this difference from last year must be identified and properly accounted for.</p>	<p>The value in the treasury accounts are correct. The values of some of the lands and vehicles mentioned in the ACA 6 report are those brought forward from previous years. The department is currently correcting the documents by including the assessed values.</p>
<p>(b) Although the value of intangible assets as at 31 December 2019 was stated as Rs.17,357,532, according to the treasury books the value was Rs.3,825,523 and a difference of Rs.13,532,008 was observed.</p>	<p>The reasons for this difference from last year must be identified and properly accounted for.</p>	<p>Assets worth Rs.9,842,805 out of difference of Rs.13,532,009 observed in audit have now been included in treasury accounts. The balance difference of Rs.3,689,204 is a difference in accounting of the opening balance and will be settled in the future.</p>

1.6.3 Non – maintenance of Registers and Books

Sample audits revealed that the department had not maintained some of the following documents and some of the documents had not been maintained properly and up to date.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Register of Losses ----- A Register of Losses had not been updated in terms of the provisions of Financial Regulation 110.	A Register of Losses should be updated and maintained according to the format in terms of the provisions of Financial Regulation 110.	Replies not furnished.
(b) The secretary of the committee had not maintained a record of attendance as per the guideline 2.11.2 of the Government Procurement Guidelines.	A Attendance Register should be maintained by the secretary of the committee as per the guideline.	Replies not furnished.

1.6.4 Lack of Audit Evidence

Audit Evidences had not been furnished in relating to the following transactions.

Audit observation	Recommendation	Comments of the Accounting Officer
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(a) Although the total amount of Beach Dimer export license revenue received by the Finance Division in the year 2019 was stated as Rs.4,595,850, as the value of the license issued by the Management Division was stated as Rs.4,365,850 a difference of Rs.230,000 was observed and evidences were not presented for.	Income records must be maintained accurately.	The actual income of the Accounting Department is correct. This difference is due to the Management Division not maintaining proper books.

(b)	Although the amount received by the Department as Health certificate Revenue was Rs.10,128,200 a difference of Rs.281,200 was observed as the value of the license issued by the Quality Control Division was Rs.10,409,400 and no evidence was produced.	Revenue collecting divisions must maintain accurate revenue records.	sources This difference is due to the issuance of license in 2019 which charged in 2018.
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2. Financial Review

2.1 Revenue Administration

Audit Observation

The total revenue outstanding was respectively for the years 2017,2018 and 2019 in the statement of outstanding revenue as at 31 December 2019 as Rs.100,000, Rs.60,000 and Rs. 80,000 and the total was R,240,000 and only Rs. 5,000 had been recovered from last year's outstanding.

Recommendation

Revenue outstanding should be recovered expeditiously.

Comments of the Accounting Officer

Agree. This is due to the fact that the yards did not come forward for registration on the due date.

2.2 Expenditure Management

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The net provision for 9 objects with savings ranging from 25% to 100% was Rs.442,585,000 and the total expenditure was Rs.71,570,473 thus the savings amount was Rs.371,014,527. This savings was 84% of the net provision. According to the reply letter, though the Department has stated that the percentage of the total savings as 72%, but according to the information indicated by the audit, the savings is 84% for the 9 objects.	Development projects should be expedited to utilize the allocated funds.	Percentage of the excess is the 72 percent between the department's net provision and the actual expenditure.
(b) A supplementary provision of Rs.300 million had been provided in June 2019 under the budget proposals for object no.290-1-1-10-2202 which had 100% of savings of the provisions, and it was proposed to provide a 50% subsidy to improve storage facilities and safely standards for multiday boats. But the project had not been started and no reasons had been given for it.	The relevant project should be implemented expeditiously with the supplementary provisions obtained for the implementation of the project.	This amount has been allocated under the 2019 budget proposals and the allocation was made in June 2019. Although the action was taken to submit cabinet papers to launch this project, but were not able to do so due to the dissolution of the Parliament. After that, the project could not be carried out due to lack of time to implement it.

2.3 Utilization of provisions provided by other Ministries and Departments

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The Department had paid Rs.17,176,000 to a private company for the release of 21,470,000 fingerlings in the Jaffna		

Lagoon under the lagoon development projects of the Ministry of Fisheries to release fingerlings into lagoons to increase fish production capacity. The following observations are made in this regard.

- (i) The Jaffna District Fisheries Office had no plan of release points for the 13 landing sites belongs and it was observed that 4 locations had been released twice in the same amount over a period of 3 days and 4 days of the 21,470,000 fingerlings reported to have been released into the Jaffna Lagoon, 35 percent or 7,445,000 had been released to Chullipuram, but no specific causes was observed. Also, although there were six landing sites belonging to the Killinochchi District Fisheries office, no action had been taken to release the fingerlings to those places due to lack of a plan. According to the reply letter, it was informed that it was done with a formal plan after discussing with the District Assistant Director and all parties, but a copy of the relevant plan was not submitted.
- According to the plan the fingerlings had to be released to the essential places.
- There were a number of issues to consider when depositing the fingerlings and this was discussed with the District Assistant Director and all parties with a formal plan. Twice the fingerlings were released to existing and easily accessible ports near the Fisheries Inspection Division. Fingerlings were transported to the port due to the formal access roads. Nine ports belonging to the Chullipuram Fisheries Inspection Division are directly connected to the lagoon and 35 percent of the amount used to release the fingerlings was releases to the ports by the Chullipuram Fisheries Inspection Division. It also planned to launch a fingerlings hatchery project at ports in the Kilinochchi District.

- (ii) Shrimp production should be compared before and period between 4 months and 5 months after hatching. Although 1,275,000 fingerlings had been deposited each at the Koddady, Navanthurai, Arialai East, and Thampaddy in the Jaffna Lagoon, there had been no follow-up on Shrimp production had increased significantly compared to the Rs.4,080,000 spent.
- (iii) 13 lacks fingerlings worth of Rs.1,040,000 were deposited in the Mundalama Lagoon belonging to the Puttalam District Fisheries Office on 24 November 2018 but its performance could not be measured as the Department had not obtained any monthly reports on shrimp harvest for the year 2019. According to the reply letter the monthly reports were sent but those reports were for the year 2018.
- (b) It was planned to supply 1116 cages for Moda fish farming to 186 beneficiaries of Negombo, Puttalam and Batticaloa District Fisheries Offices and to purchase and supply of 186,000 Moda fry by the National Aquaculture Development Authority. By the end of 2018, the items needed to make the cages had been supplied and paid Rs.24,986,514 in 2019. The following observations were made in this regards.
- Need to be follow-up on the increase in the quantity of shrimp production as compared to the amount spent.
- As Shrimps are harvested in the lagoon as well as in the sea, it is not sufficient to obtain production data focusing on the lagoon ports and sea data should also be obtained for this as the Shrimps are harvested from the sea as well.
- Arrangement should be made to obtain records of Shrimp harvest in relation to the periods.
- Monthly reports on prawn harvest in Mundalama Lagoon have been sent.

- (i) It was a matter of controversy in the audit that the cost estimates were prepared using very high prices when preparing the cost estimate as a large range of differences between 65% and 77% was found when comparing the price paid and the estimated price for these items. Estimates need to be prepared realistically. Replies not furnished.
- (ii) Though the 1 1/2" size of PVC pipes needed to make 1116 cages had been approved by the procurement board to purchase 11160 pipes, bids had been called for 13392 pipes. Accordingly, Rs.868,248 had been paid to purchase of 2232 more PVC pipes. Bidding documents should be prepared with the approval of the procurement board. Replies not furnished.
- (iii) Three of the four bids received for the purchase of the Moda cages were rejected due to non-submission of the bids for all the items and the bidder was selected after bidding for all the items. But the guidelines of 7.12.2(a), 7.12.2(b) and 7.12.3(a) of the procurement guideline did not comply with when the price was higher than the estimated price. The government should take more favorable decisions following the provision of the Procurement Guidelines. Replies not furnished.
- (iv) Six beneficiaries who had applied for material and equipment for making of Moda cages at the Batticaloa District Fisheries Office had not received the goods of 6 cages each and the value of Rs.700,884 items purchased for 36 cages was wasted. Beneficiaries should be selected from a proper study. Replies not furnished.

- (v) 80% percent of the fingerlings provided by the National Aquaculture Development Authority to the beneficiaries in three District Fisheries Offices have been left from the cages due to their small size. It was observed that there were defects in an amount between 5 and 10 fingerlings had died, a considerable number of deaths after being removed from bags, and, though the fingerlings should be 2.5 inches according to the specifications, supplied fingerlings were about 2 centimeters. Further, out of 186,000 fingerlings to be supplied, only 46,500 fingerlings were supplied. Hence failure to supply the required number of fingerlings. Accordingly, the expected targets could not be achieved at a cost of nearly Rs.25 million and the responsible officials had not been identified in this regard. Action must be taken to achieve the desired goals. Replies not furnished.
- (vi) Moda fish harvest reports were not received from the relevant district offices and no action was taken to follow up the Moda fish harvest. Follow-up should be done to ensure that the desired goals have been achieved. Replies not furnished.
- (c) Although it was planned to provide 19,888 boundary poles to mark physical boundaries at a cost of Rs.31.9 million for the lagoon demarcation project under the Lagoon Development Programme for the conservation of 10 lagoons in the year 2018, only 14,748 poles were provided and the amount paid was Rs.21.339,345. The following observations were made in this regards.

- (i) Guidelines 3.1, 4.3 and 8.9.1 of the National Procurement Guidelines were not followed in this Procurement. Follow the guidelines in the National Procurement Guidelines. Replies not furnished.
- (ii) The 1,705 boundary poles were not fully supplied for 2 lagoons out of the 19,888 boundary poles to be supplied for 10 lagoons and the value of the boundary poles not provided for 6 lagoons was Rs.9, 141,748. If the contractor does not make the required supplies, the performance bond must be taken over by the Department. Replies not furnished.
- (iii) An additional 2,276 poles had been purchased for Puttalam lagoon without approval and Rs.3,826,638 had been spent for this. Prior to payment, check that the work has been approved and in accordance with the plan and payments must be made. Replies not furnished.
- (iv) It was observed that although RS.25 million had been allocated for the demarcation of the lagoons in 2019, only Rs.14 million had been spent and Rs.11 million had not been utilized. The demarcation of the poles was delayed till the end of 2019 due to the impact of having to supply the poles at the correct locations, having to supply the poles in accordance with the standards and delay in the procurement of the poles planting contract. Action must be taken to achieve the desired goals. Replies not furnished.

3. Operating Review

3.1 Planning

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) According to the 2019 Action Plan, Department had submitted only the financial progress related to the each projects but had not taken action to submit the physical progress in relation to these projects.	Performance Reports should be prepare in accordance with Finance Circular No.2014/01 dated 17 February 2014.	Replies not furnished.
(b) Although Rs.38.7million has been allocated for the year 2019 under the construction of a new building in the 2019 Action plan. Thus provisions were used for remaining work of the VMS building which was started in 2018 and to settle the bills. Hence, It is not observed that the plans are prepared realistically.	The Annual Action Plan should be prepared realistically for the activities of the year.	Replies not furnished.

3.2 Delays in Project execution

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Although the action plan stated that the Jaffna Thalayadi Quarter would be renovated, no provision had been made for that. It was observed that all the renovation work was scheduled to be completed by November 2019, but had not been completed by 31 December 2019.	Since the action plan has been incorporated on the need to carry out renovations, those tasks should been completed without delay.	Replies not furnished.

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| <p>(b) The project to introduce a software system worth Rs.54 million to coordinate the regional offices and the head office activities of the Department of Fisheries and Aquatic Resources was started in the year 2018 and was to be completed by the end of 2019. Although the provision of Rs.23.09 million had been granted for this purpose, the work had not been completed by the end of 2019 and Rs.13.7 million had been paid at that time.</p> | <p>Efforts should be made to perform the required functions efficiently during the contract period.</p> | <p>Replies not furnished.</p> |
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3.3 Losses and Damages

Audit Observation

The Department premises located on the sixth floor of the Ministry of Fisheries and Aquatic Resources Development was damaged due to rain water during the period from November 2018 to December 2019 which caused damage to the office equipment worth Rs.13,666,960, but no follow up action has taken to find the responsible officials. It was observed that it was not even documented in the damage and loss list according to the Financial Regulation 103(1) (e).

Recommendation

Relevant values in respect of losses and damages in terms of Financial Regulation 103(1)(e) should be noted in the document.

Comments of the Accounting Officer

Replies not furnished.

3.4 Informal Transactions

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The Department had paid Rs.50,536,520 for providing 37 sets of Long Line and 21 no of winch equipment to subsidize the fishing community in the year 2019 without any proposal, recommendation or cabinet approval, including a subsidy scheme for the providing of kits relating to the development of facilities for multiday fishing vessels engaged in the deep sea fishing industry.	Cabinet approval should be obtained by submitting the cabinet memorandum correctly.	Replies not furnished.
(b) Although the Director (Industries) had nominated the officers to appoint a committee to select suitable beneficiaries for the supply of Long Line kits, evidences proving that the beneficiaries had been selected by a committee were not submitted to the audit.	Selection of beneficiaries should be formal.	Replies not furnished.