

Head 151 Ministry of Fisheries

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Fisheries for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Ministry was issued to the Chief Accounting Officer on 07 July 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 30 July 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ministry of Fisheries as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.2 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and 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 Ministry 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 Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry 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.

1.3 Auditor's Responsibilities for 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's summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

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

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief 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

As the Ministry of Fisheries and Aquatic Resources Development was under the Ministry of Agriculture till 31 August 2020, I express that the financial statements under Section 6 (1) (d) of the National Audit Act No. 19 of 2018 cannot be compared with the previous year.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

Non-revenue Receipts

The following deficiencies were observed in accounting non-revenue receipts relating to the financial statements.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(i) Although Rs.9,587,110 had been stated in the Statement of Financial Performance as advance receipts, according to the Treasury computer printout (SA-52), the advance receipts were Rs. 3,994,958 and a difference of Rs.5,592,152 was observed.	The Treasury printed statement shows only the amount of receipts accounted for under the Ministry of Fisheries from September to December 2020.	According to the provisions, the total advance receipts should be stated in the statement of financial performance.
(ii) Although the advance payment was Rs.7,433,796 as per the statement of financial performance, according to the Treasury computer printout (SA-52), the advance payment was Rs. 27,946,768 and a difference of Rs. 20,512,972 was observed.	The Treasury printed statement shows only the amount of payments accounted for under the Ministry of Fisheries from September to December 2020.	As per the provisions, the total advance payment should be stated in the statement of financial performance.

1.6.2 Statement of Financial Position

The following deficiencies were observed in accounting for Property, Plant and Equipment.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Although the ACA-6 report in the financial statements stated the value of non-financial assets as at 01 January 2020 was Rs.	That those corrections have already been made.	Financial Statements must be prepared Properly

523,782,990, According to the Treasury computer printout (SA-82), such a value of opening assets had not been stated.

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| (b) | Although the statement of financial position as at 31 December 2020 stated the value of property, plant and equipment as Rs.605,570,552, in the treasury report (SA-82) for the year under review had stated as Rs.57,290,189 thus the difference of Rs.548,280,363 had not been compared and corrected. | That those corrections have already been made. | -those- |
| (c) | Although the total asset purchases for the year 2020 have been stated as Rs.81,787,561 in examining of the Statement of Non-Financial Assets ACA-6, there was a difference of Rs.194,792 as the capital assets acquisition was stated as Rs.81,982,353 in the Statement of Financial Performance. | This is due to the fact that a statement of non-financial assets valued at Rs.194,792 is not included in the statement of non-financial assets and the value stated in the statement of financial performance is correct. | -those- |
| (d) | Although a Schedule of Fixed Assets as reported from the accounts summaries in terms of the paragraph 4.13 of Guideline 5 of Public Finance Circular No. 02/2020 dated 28 August 2020 should be submitted to the Department of Public Accounts, There was no information that the Ministry had submitted a schedule of assets worth Rs. 81,982,353 acquired during the year. | A copy of the ACA-06 Form has been forwarded to the Director General of Public Finance. | -those- |

1.6.3 Cash Flow Statement

Audit Observation

When comparing the Cash Flow Statement and Trial Balance prepared by the Ministry for the year ended 31 December 2020, a total difference of Rs. 2,077,438,762 was observed between the values of 09 items.

Comments of the Chief Accounting Officer

That the Cash Flow Statement is applicable on a direct cash basis and for the whole year and the Trial Balance is accrued on an accrual basis for the last 04 months.

Recommendation

The Trial Balance should be prepared correctly and the cash flow statement should be prepared accordingly.

1.6.4 Deposits

Audit Observation

Deposits of Rs.1,625,268 for more than 2 years had not been credited to government revenue.

Comments of the Chief Accounting Officer

Amount of Rs.362,098.47 out of deposits over a period of 02 years have been credited to the government revenue in March 2021 and the remaining deposits will be processed after obtaining the required confirmations.

Recommendation

Check and past deposits should be credited to government revenue.

1.6.5 Lack of Audit Evidence

Audit Evidence on the following transactions had not been made available.

Audit Observation

- (a) Although Rs. 43,399,817 had been spent directly by the Treasury for the Northern Province Sustainable Fisheries Development Project implemented by the Ministry under other capital expenditures, the loan amount financed as per the Cash Flow Statement of the Financial Statements 2020 of that project was only Rs.19,044,912 and a difference of Rs. 24,354,905 was observed. Further, due to the failure of the Ministry to provide information on Rs. 43,399,817 spent under foreign loans, they could not be vouched satisfactorily during the audit.

Comments of the Chief Accounting Officer

Rs. 43,399,817 spent directly in the treasury had stated also in the Ministry Ledger.

Recommendation

Expenditure information should be submitted.

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| (b) There was no information that followed up done about the expenditure of Rs. 50,000,000 provided and spent on emergency rehabilitation under development assistance for the reopening of the Peliyagoda Fish Market Complex in compliance with the health guidelines due to the Covid epidemic. | This sum of Rs. 50 million has been given to the Peliyagoda Central Fish Market Complex as a sub-imprest and the Central Fish Market Complex has information on the expenditure done by imprest. | The reimbursement of imprest and follow up should be done by the Ministry. |
| (c) Detailed information was not submitted to the audit for total receipts of Rs.60,114,465 and total payments of Rs.277,753,372 including receipts and payments of deposits related to the National Aquaculture Development Authority and the Fisheries Harbor Development Project and receipt of deposits without number details. | All the general deposits held by the Ministry of Fisheries and the Ministry of State were in the account of the Ministry of Fisheries and the Ministry did not facilitate the transfer of those deposits between the two institutions through the Sigas program and the Treasury did so. | All relevant information should be submitted to the audit. |
| (d) According to Financial Regulation 272 (3), the Expenditure of Rs. 265,704,593 in the Ministry of Fisheries relevant to the period from September to December 2020 could not be satisfactorily vouched as the vouchers had not been submitted for audit. | No answers provided. | All the payment vouchers should be sent to the Auditor General in accordance with Financial Regulation 272 (3). |

2. Financial Review

2.1 Management of Expenditure

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

Although Rs. 3,272,824 had spent to deploy the ministry officials more in various parts of the country to monitor the progress of development projects, seven months had elapsed since the end of the year but the progress of development projects had not been submitted for audit.

That the provision allocated for the subject of travelling Expenses 1101 under the ministry office project 2020 is not sufficient to account for the relevant expenditure and the progress for 2020 will be submitted with the relevant reports.

Progress should be made on development projects spent on travelling expenses.

2.2 Incurring of Liabilities and Commitments

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

The Ministry of Fisheries had allocated Rs.23,870,000 for the project of empowering the fishing community for the year 2020 out of which Rs.23,791,914 had been spent and another Rs.4,979,666 were obligated to pay to the Trincomalee District Secretariat. As the savings of the provision was Rs.78,086, an overprovision of Rs.4,901,580 was observed with this commitment.

Although it was observed that there was an incurring of over commitments on the provision granted under provision in the total estimate for the year, no expenditure was incurred in excess of the provision.

Obligations for expenses should be made only on the provisions.

2.3 Deposits Balances

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

The amount of Rs.55,677,614 received from the payment of performance insurance and advance security for the cancellation of the construction contract of the Ministry building on 12 September 2019, should have been taken directly into the government revenue but had not been taken into the government revenue for more than a year.

This amount is temporarily kept in the general deposit register and will be credited to the government revenue in the future after obtaining the necessary explanations.

The amount of the advance security by the cancellation of the contract is to be taken into government revenue.

2.4 Certification of Chief Accounting Officer

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

(a) The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the Ministry of Fisheries, and carry out periodic reviews to monitor the effectiveness of such systems, and

The Ministry of Fisheries had delegated powers under FR 135 to ensure better financial control and internal control and that the assignment of officers had been duly carried

Action should be taken in accordance with Provisions in Section 38 of the National Audit Act No.19 of 2018.

accordingly make any alterations as required for such systems to be effectively carried out. Such reviews should be carried out in writing, and a copy thereof should be presented to the Auditor General, but no statements had been furnished to the Audit that the reviews had been carried out out. Although covid is in critical condition, Audit and Management Committee Meetings and Progress Review Meetings were held during the year.

- (b) The Chief Accounting Officer shall ensure that all audit queries be answered within the specified time as required by the Auditor General. However, 07 audit queries for the year under review had not been answered. Although the response to 07 audit queries was delayed due to the work that had to be done under the Covid epidemic, the work would be done expeditiously. -those-

3. Operating Review

3.1 Non- performance of Functions

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) An allocation of Rs.23,870,000 had been made for the empowerment of the fishing community by the year 2020 and Rs. 22,291,974 out of the Rs. 23,791,974 spent as at 31 December 2020 had been utilized to settle bills on hand for projects undertaken in 2019.	Provisions made for the year 2020 were utilized to settle the bills in hand for the projects implemented in the year 2019.	The allocation for the year 2020 should be used for the activities of the relevant year.
(b) The provisions amounting to Rs.2,700,000 to perform the activities of establishment of Shrimp Quarantine Facilities (Preliminary Activities) and to carry out the work of measuring for the sea cucumber village as expected by the Aquaculture Development Authority of Sri Lanka as per the 2020 Action Plan, had not been utilized as at 31 December 2020.	That the projects that were originally proposed to be implemented could not be implemented.	According to the action plan, the work should be carried out using the provisions of the proposed development projects.

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| <p>(c) Although a sum of Rs.31,961,270 has been spent on the National Aquaculture Development Authority to increase Fish Seed Production out of the Rs.33,630,000 allocated to the Ministry of Fisheries for the National Food Production Program (53-2506) by 2020, there was no follow-up on whether the targeted work had taken place.</p> | <p>That the answer will be given as soon as it is received.</p> | <p>The progress of the projects spent using the funds should be checked.</p> |
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3.2 Non-achievement of expected Output Level

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

 The Ministry had allocated Rs.44,500,000 for construction activities under the Coastal Protection and Resource Management Program for the year 2020 and the expenditure as at 31 December 2020 was Rs. 27,290,360. According to the 2020 Action Plan, the Sri Lanka Aquaculture Development Authority of Sri Lanka had intended to construct hatcheries for sea cucumbers in the Mannar district, to build hatcheries for ornamental fish in the Puttalam district and to upgrade the Pambala freshwater prawn hatcheries. The financial progress of the construction work was 61 percent and the progress report did not state whether the project had achieved the expected output. There was no follow-up on that.

 That the answer will be given as soon as it is received.

 The progress of the projects carried out according to the action plan should be checked.

3.3 Annual Performance Report

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

 The Annual Performance Report had not been prepared and submitted in accordance with Form 14 of Guidelines issued by the Department of Public Finance in accordance with paragraph 10.2 of the Public Finance Circular No. 2/2020 dated 28 August 2020.

 The Annual Performance Report has been prepared and completed as per Public Finance Circular No. 02/2020 and will be submitted to the Office of the Leader of the House as soon as the Audit Opinion is received.

 The circular must be followed.

3.4 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to a circular issued by the Agriculture Insurance Board and the Department of Fisheries and Aquatic Resources to the District Fisheries Project Officers on 19 March 1991, it was observed that the work of the Benefit Scheme for Fishermen had been slow and not up to date.	No answers provided.	This scheme should be kept up to date in accordance with the relevant circular.
(b) Although Rs. 1,500,000 was spent annually for the administrative expenses of the Fisheries Pension and Social Security Benefit Scheme, the recruitment of new fishermen to the scheme had not taken place for 7 years and the Ministry had not maintained a list of fishermen contributing to the scheme.	No answers provided.	A list of fishermen contributing to the Fisheries Pension and Social Security Benefit Scheme should be maintained.
(c) The keys to the safe at the Bank of Ceylon's Metropolitan Branch were missing and had been inactive since 2012 and a total of Rs.73,656 had been paid to the Bank of Ceylon along with a fee of Rs. 7,000 for key of the safe and Rs.66,656 as rent areas. It is observed that the amount is as an identified financial loss. Further, no action had been taken to recover this amount from the officials responsible for the loss in accordance with Financial Regulation 103 (1) and no action had been taken in accordance with Financial Regulation 156 regarding the loss which had occurred due to the negligence of the responsible officials.	An official of the Ministry of Fisheries, who had signed an agreement with the Bank of Ceylon regarding the safe, said that an investigation had been carried out before paying the arrears and that the keys had been lost. The arrears had to be paid as the present officials of the Ministry were not aware that the safe had been rented until further notice by the Bank of Ceylon.	Must comply with Financial Regulations 103 (1) and 156.

- (d) The Ministry had paid Rs. 7,290,000 for the printing of the Oruwella newspaper to be published in Dinamina and Thirakaran newspapers by the year 2020. Although such newspapers had been printed and paid for many years, it was not disclosed that the newspaper had carried out any follow-up or operational review of its publishing objectives and targets.
- It will be noted that printing was discontinued from November 2018 and reprinted from January 2020, and that it was not possible in that short period of time to follow up on the newspaper's publication objectives and targets.
- Follow-up should be done on the progress made in printing the newspaper.