

## **Head -290 Department of Fisheries and Aquatic Resources.**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Head-290 Department of Fisheries and Aquatic Resources for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 Department of Fisheries and Aquatic Resources was issued to the Accounting officer on 28 May 2024 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 12 June 2024 in terms of Section 11(2) of the National Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 to be read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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 Department of Fisheries as at 31 December 2023 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 is 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.

#### **1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements**

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 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, 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 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 judgment 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 Department's 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 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**

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

Referring to the paragraph of the report related to the previous year	Recommendation that had not been implemented	Reference to the Paragraphs of this report
2.2 (d)	Check the accuracy of annual licenses fee income.	2.1
3.1.2 (a)	The damage has been occurred due to leakage of water had not been included in the register of losses and damages which is maintained in the Department.	3.3

## 1.6 Comments on Financial Statements

### 1.6.1 Noncompliance of Financial Statements with provisions of the Circulars

#### (a) Cash Flow Statement

Audit Observation	Comment of the Accounting Officer	Recommendation
As per the paragraph 7.7 of State Accounts Guideline of the Department of State Accounts No. 05/2023 dated 11 November 2023 Although the Statement of Cash Flow for the year ended 31 December 2023 should be prepared by using direct method considering both cash and cross entries, Department of Fisheries and Aquatic Resources in preparing the Statement of Cash Flow of the had prepared on the basis of direct method.	Since transferring loan balances of inter department in the Advances Account the net effect for the trial balance was zero and as stated the debit balance of Rs. 19,999,828.00 and credit balance of Rs. 23,659,038.00. No change has occurred in the Statement of Cash Flow even if the values that you stated used.	As per the State Accounts Guideline Statement of Cash Flow should be prepared.

### 1.6.2 Accounting Deficiencies

#### (a) Deposits

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) According to the age analysis of the deposit account No. 6000-0-0-16-0-47 amounting a to Rs. 3,043,559 of deposits between 2 years to 5 years and amounting to a Rs.346,063 of deposits more than 5 years had not been settled in terms of Financial Regulations 571 (3) as at 31 December during the year under review.	Action has been taken to inform the relevant parties about the possibility of releasing the retention money related to the deposits that have been delayed for more than two years in the deposit account.	Action should be taken to refund deposits of more than two years or if not claimed that balances should be taken in to government revenue.

- (ii) According to the age analysis of the deposit account No.6000-0-0-13-0-64 amounting a to Rs. 17,176,464 of deposits between 2 years to 5 years and amounting to a Rs.8,026,493 of deposits more than 5 years had not been settled in terms of Financial Regulations 571 (3) as at 31 December during the year under review. Further when posting to the deposit account instead of clearly posting the description due to mentioning that the cash had been deposited in a manner of personal name or naming District offices of fisheries, it was impossible to identify the reason exactly relevant to the deposits.
- An amount of Rs.205,989 out of the deposit balance of Rs.8,026,493 more than 5 years elapse had been credited to the state income on March 2024.
- A correct report of age analysis regarding deposits should be prepared and action should be taken to refund deposits of more than two years or if that balances not claimed should be taken in to government revenue. As well identify the reason exactly relevant to the deposits.

**(b) Lack of evidence for audit**

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
<p>Although the authority of paying interest subsidy and monitoring of Diyawara Diriya loan scheme for the Government has been given to the Department, a suitable arrangement has not been used for the maintenance of registers or data file to be able to separately identified the payment details of under this loan scheme the date of each fisherman who has got the loan facility, the completion date of loan installments paid, interest subsidy should be paid monthly etc. Therefore it was impossible to verify the accuracy of the amount of interest subsidy more of Rs. 300 million had been paid within the period more than 12 years and including Rs. 11,996,398 had been paid to the Bank of Ceylon during the year under review and information which required to accurately calculate the interest subsidy had been paid up to date were not furnished for audit. As well due to non- maintaining registers or data file including information relating to the</p>	<p>A data system including all the loan holders who are under the Diyawara Diriya loan scheme had not been maintained by the Department and for the settlement of the problematic situation has arisen from that the Department has taken steps by now. Accordingly, promptly doing recovering of loan amounts and installments due from the loan holders steps have been taken temporary suspension paying interest subsidy money to the Bank of Ceylon by the department, sending warning letters informing loan holders, being aware</p>	<p>Accurate information should be maintained and this information should be furnished for audit as requested.</p>

recovering loan installments from creditors, unsettled balances and since the required information of the due balance loan amount to be paid the interest subsidy, the interest due to be paid, and to identified the debtors who are completed payments had not been furnished for audit the accuracy of this transaction had not been verified. However accordingly the registers of bank the loan balance given by the date of 31 December 2023 was Rs. 776,515,188.

## 2. Financial Review

### 2.1 Income Management

The following observations are made

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>In terms of regulations by the extra ordinary Gazette Notice No. 2255/22 dated 24 November 2021 orders have been issued by the Minister relevant to impose fees to collect state income for 53 occasions of possible to give licenses under 05 main activities. However in issuing licenses due to non - issuing of licenses in a specialized paper with prior numbered there have been a chance to issuing licenses without an income to the Government and since it was impossible to compare as per the financial statements in the year under review an amount of Rs. 179,170,315 of annual licenses fee income had been collected was also the income related to that all the licenses have been issued and the accuracy of the annual licenses fee income that mentioned above could not be satisfied in audit.</p>	<p>As per the authority has given by the extra ordinary Gazette Notice No. 2255/22 dated 24 November 2021 collecting of income is being done under 53 occasions. Issuing of licenses relating to that income collected is done by the Management Section, Quality Control Section, Development Section and Operating Section and the money collected to the bank account of our Department is monthly compared with the quantity of licenses which each section issued. Since the collection of income will be done online from the year 2024 licenses are being issued confirming that the income has received to the Bank. Therefore the possibility to easily compare income collecting relating to the licenses issued.</p>	<p>An adequate internal control should be implemented for issuing license.</p>

## 2.2 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with Laws, Rules and Regulations were observed in the audit test checks are being analyzed as follows

<b>Observation Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Financial Regulations 756 (6)	In the annual board of survey action had not been taken in terms of the Financial Regulations regarding the excess and shortages mentioned in the Tr. & Aud. 66.	As per the Public Finance circular No. 1/2020 although the board of survey activities of the department should be finished before the date of 30 June due to the economic condition prevailing in the country disposal activities are being done only in 6 district offices out of 15 district offices.	In terms of the Financial Regulations action should be taken regarding the excess and shortages.

## 2.3 Operating of Bank Accounts

The following observations are made

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
The value of the unidentified receivables as at the date of 31 December 2023 was Rs. 1,344,682 and out of that 523,606 of 13 receivables were consist of unidentified receivables from 02 months to 06 months and by the date of 31 March 2024 action had not been taken to identified further 07 number of receivables amounting to Rs. 195,500 from 02 months to 06 months.	An amount of Rs. 195,500.00 included in the unidentified receivables are the receivables that was directly banked and to identified those receivables inquiries were being made from the head of the revenue collecting sections by the letter dated 20.05. 2024 of the department. Accordingly action will be taken to identify in future.	Should be accurately accounted for identifying the unidentified receivables.

## 3. Operating Review

### 3.1 Annual Performance Report

The following observations are made

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
76 number of daily routing activities of the Fisheries and Aquatic Resources Department had been stated as Performance Indicators and an expected and actual output of those had not been identified in numbered.	Officers are being informed to take necessary actions to identify in numbered the expected and actual output of the Performance Indicators.	Indicators possible to calculate the Performance should be identified.

### 3.2 Assets Management

The following observations are made

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Out of the 161 Tab machines which have been received to the Information Technology Section of the department from ALDFG and PELAGIKOS projects 16 Tab machines had been given to the District Office at Negombo. These Tab machines had been divided to those officers and, those Tab machines had not been accurately entered in to the Inventory book of General 47 and the above 16 number of Tab machines had not been subjected to survey in the annual board of survey.	The officers were informed to include the 16 Tab machines, which had been given to the District Fisheries Office in Negombo, in the General 44 Inventory book of the District Fisheries Office. Since this tab machines are in the custody of the relevant officers even had not been subjected to the annual board of survey.	All the inventory goods received to the department should be included in the registers and annual board of survey should be done related to all the inventory goods.

### 3.3 Losses and Damages

The following observations are made

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
A damage amounting to Rs.16,519,961 has been occurred due to leakage of water in the 06th floor of the building of Ministry which included in the annexure (i) losses and damages in the financial statement had not been included in the register of losses and damages which is maintained in the Department. Accordingly, action had not taken in terms of the F.R. and even though it has been clearly identified that the parties which has to be responsible for the loss, action had not been taken to recover the loss incurred to the government.	An investigation has been done appointing a committee to do an investigation under Financial Regulations 104 regarding this loss as per the instructions given by the secretary to the Ministry. After the recommendations has given regarding the loss has been assess by the committee of Financial Regulations 104 via review committee of the Ministry possible to include in to the register of losses and damages. Further informed that the recommendations of the Ministry to the Department.	The register of losses and damages should be updated maintained.

### 3.4 Answers not given to the audit query

The following observations are made

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
In terms of Sub-section 38 (e) of the National Audit Act although should be answered all the	Relevant officers are being informed to give answers	Answers for the audit queries should

audit queries within the specified time as required by the Auditor General answers had not been given even by the date of 12 August 2024 for the 8 audit queries had been issued for the year 2023. promptly to the 08 audit queries which had been issued for the year 2023 but not answered yet. be given within proper period of time.

### 3.5 Management Weaknesses

The following observations are made

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) (i) The Australian Government 4200 utility sets has been given for observing and monitoring of fishing vessels engaged in deep sea fishing activities. The cost of each utility set is 45 American Dollars, which should be paid to the company that provided the fittings.</p>	<p>27 vessels which were stated by the audit and registered after 31.12.2020 have also been identified by the department management and an internal investigation is currently being carried out regarding them.</p>	<p>A proper system should be prepared for fitting VMS utilities.</p>
<p>However according to the tender procedures 200 utility sets should be free installed in 200 multi day fishing vessels However the Government has decided that for the vessels registered/produced after the date of 31 December 2020 installing of VMS utilities should be done by the relevant vessel owners themselves a supervision has not been done regarding how the relevant machines were fitted free of charge for the 27 vessels that were registered after the above date by the Department of Fisheries and Aquatic Resources.</p>		
<p>(ii) VMS machines were installed after charging money 60 boats whose registration date was not mentioned in the list of registered boats of the department for multi day fishing activities. As well due to non - maintaining the data system of the Department of Fisheries and Aquatic Resources there had not been verified whether these boats were being registered / produced after the</p>	<p>It was confirmed that all these 60 fishing boats were the vessels which initially registered after the date of 31 December 2020. Accordingly it is correct to charged money and install VMS machines. Accordingly the data system of the Department to be updated the General 62</p>	<p>The data system of the department should be maintained up to date.</p>



date of 31 December 2020.

register is maintained by the management division that registering fishing vessels was entered in to the MSDFAR system in the first quarter of the year 2024. Currently the data system is up to date.

- (iii) 18 fishing vessels belonging to foreign countries brought by a private company that registered in Sri Lanka and detained at Dikowita port for fishing activities, have been approved by the department for multi day fishing activities. However the vessels had not been engaged in the fishing industry for a long time and vessels were not equipped with VMA. There was no information with the department about the deep sea voyages of these vessels which were not equipped with the VMS system even though they had sailed out of the port in deep sea on several occasions. Accordingly by allowing the opportunity for foreign multi day fishing vessels belonging to a private company to operate out of the legal status applicable to non- registered multi day fishing vessels of the department, the supervision of the department regarding the fishing activities of those multi day fishing vessels was a problematic in audit.
- At the time when these vessels were brought to Sri Lanka the satellite connections with the VMS installed by the shipping company were active and the facility and authority to monitor these vessels had been given by the company to the vessel monitoring center of the Department of Fisheries and Aquatic Resources. The vessel was monitored within the whole day and all fish brought by the vessel were verified based on satellite data to be caught without illegal fishing. However due to the economic crisis the fishing activities carried out by those vessels were stopped. Therefore the vessels had to be tied up at Dikowita port for a long time.
- The fishing operations of foreign fishing vessels should be regulated.
- (iv) The foreign multi day fishing vessels which was registered in the department under the number of IMULA-0140-CBO had been put to sea for fishing activities on 19 May 2022 and returned to the port on 04 July 2022. However the related log notes were not submitted to the department and the department had noted that there were no fishing operations in the return register of the multi day fishing vessels of Dikowita office. As well after 46 days of sailing in the deep sea there
- The IMULA-0140-CBO fishing vessel departed from South Terminal of Dikowita port for fishing operations on 19 May 2022 and returned to Dikowita port on 24 June 2022 about ten days later the vessel suffered with technical fault and returned to port on 24 June 2022 without catching fish. The officer of the department had taken over the log book and noted that on 04 July
- The operational activities of these fishing vessels should be maintained up to date by the department.

was no supervision of the department regarding the fishing activities had carried out by the said fishing vessel. 2022, “no fish was caught due to the inoperability of the vessel.”

- (b) (i) As per the Cabinet decision No. CP/16/2547/725/020-II dated 20 December 2016 Rs.130 million had been paid by the department in the year 2016 for the production of 10 fishing vessels with modern technics each with 55 feet under the 50 percent subsidy of the Government. Under this subsidy scheme out of 10 fishing vessels which has been handed over for constructions, 2 fishing vessels had not been completed and handed over to the owners even though more than 8 years had passed by the date of the audit, however the department had not taken adequate measures. Although the production of those two vessels of IMUL-A-0061KMN and IMUL-A-0062 KMN should be completed by the year 2016, the production could not be completed due to varies reasons and 70 percent and 10 percent had been produced respectively. Action is being taken to complete the production of two vessels promptly negotiating with the Cey-Nor institute, vessel yard and the owner of the vessels. Producing vessels should be supervised by the department to achieve the objectives of the Government.
- (ii) Although the department had signed a four - party agreement on 16 November 2016 for the production of fishing vessels under the 50 percent government subsidy project, sufficient provisions were not included in the agreement to address delays in production of the vessels has occurred. Accordingly, in terms of Financial Regulation 156 (7) although it was clearly mentioned that Accounting Officers should exercise due economy in all financial transactions, the department had not taken action as per those provisions when making payments for maintaining this vessel production. I acknowledge that the four party agreements has been prepared with defects and the department is currently working to contact the parties such as Cey-Nor institute, vessel yard and the owner of the vessels to address the issues in a way that does not cause a loss to the Government. Attention Should be paid to due economy in terms of Financial Regulation.
- (c) The fishing vessel No. IMUL-A-0844 CHW has been produced under the 50 percent government subsidy was destroyed by fire on its first voyage on Due to the fishing vessel No. IMUL-A-0844 CHW has been produced under the 50 percent government subsidy Action should be taken in terms of the Financial Regulations regarding the forfeiture of the

- 22 March 2018. Consequently the objectives of the Cabinet of Ministers to increase quality local fish harvest by providing subsidized fishing vessels were not accomplished. However that vessel has been insured in the Sri Lanka insurance Corporation and a compensation of Rs.29,138,241 had been approved to the vessel destroyed. The Director General of the department had sent a letter on 06 August 2018 to the insurance Corporation to pay the entire compensation amount to the vessel custodian who had contributed 50 percent to the production of the fishing vessels. Accordingly the amount of Rs. 14,500,000 paid by the government for the production of the vessel has not been recovered and by giving the total amount to the custodian of the vessel a financial has been made to the government.
- was destroyed by fire, the compensation had received from the Sri Lanka insurance Corporation the action has been taken to give it to the beneficiary of that vessel.
- contribution given by the government for the production of the vessel.
- (d) Under the lagoon development programme, under the lagoon boundary marking project the 1,784 number of boundary poles required to mark the boundaries of the Chilaw lagoon but the number of poles was recorded as 4060 during the procurement process, therefore the number of poles 2276 of over produced amounting to Rs. 3,826,639 had been piled in 13 places in the Chilaw lagoon by the date of 31 December 2023. In terms of the Financial Regulations 128 (I)(i) Accounting Officers should be responsible for frugality and efficiency, propriety, regularity and honesty in spending public money but it was not taken care of.
- 2276 number of poles which had been purchased in excess in the preparation of the estimates are to be transported back to the Puttalam lagoon and used for marking the boundaries of the Puttalam lagoon.
- The cost of over purchased poles and the additional transportation costs incurred should be recovered from the responsible parties.
- (e) Although 1048 of boundary posts had been produced to mark the boundaries of the Arugambe lagoon 420 boundary posts had been installed around the lagoon and 90 of them had been removed by unidentified miscreants. Approximately Rs. 222,300 had been incurred to construct and establish 90 border posts
- The Civil Defense Department has installed 420 boundary posts in Arugambe, 90 posts out of these boundary posts have been removed by unknown persons. A complaint regarding this has been
- The loss incurred by the government should be recovered and the remaining posts should be used to demarcate the lagoon boundaries.

and related to those damages and losses made at Pothuwil Police Station on 18 .09.2020 in this regard. had not been dealt with in in terms of the Financial Regulations. Furthermore the re-establishment of the removed boundary posts and the remaining 628 boundary posts to mark the lagoon boundaries had not been done even up to date of 31 December 2023.

#### 4. Achieving Sustainable Development Goals

The following observations are made

Audit Observation	Comment of the Accounting Officer	Recommendation
When identifying Sustainable Development Goals/objectives by the department, they were not identified in a specific and measurable manner and achievement indicators were not identified numerically.	Answers have not been given.	Should be identified Sustainable Development Goals and performance indicators should have been identified.

#### 5. Human Resources Management

The following observations are made

Audit Observation	Comment of the Accounting Officer	Recommendation
There were 19 vacancies related to 10 senior level positions, 10 vacancies related to 02 tertiary level positions, 223 vacancies related to 08 secondary level positions and 05 vacancies related to 2 primary level positions. Accordingly there had been a large number of vacancies including senior level had been an obstacle when performing the main functions of the department.	Action is being taken to conduct examinations for recruitment to make appointments. Other officers are performing the duties of the respective posts.	Required cadre should be recruited to achieve the objectives of the department.