

National Aquaculture Development Authority of Sri Lanka -2013

The audit of financial statements of the National Aquaculture Development Authority of Sri Lanka for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 25(2) of the National Aquaculture Development Authority of Sri Lanka Act, No. 53 of 1998. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report

1:2 Management's Responsibility for the Financial Statements

In terms of the Public Enterprises Circular No.03/2013 of 02 September 2013, the management is responsible for the preparation and fair presentation of these financial statements in accordance with the Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error. Nevertheless the Authority had presented the financial statement in accordance with the Generally Accepted Accounting Principles.

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the National Aquaculture Development Authority of Sri Lanka as at 31 December 2013 and the financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

2:2 Comments on Financial Statements

2:2:1 Accounting Standards

Even though the cost method or the revaluation method should be followed in showing the assets in the financial statements, the Authority had revalued a portion of lands and brought to account under the revaluation method while the balance portion had been brought to account under the cost method.

2:2:2 Accounting Deficiencies

The following observations are made.

- (a) Even though the Authority had followed the Generally Accepted Accounting Principles, action in terms thereof had not been taken for the revaluation of assets once in three years or once in five years.
- (b) A sum of Rs.1,903,439 which should have been debited to the Sundry Deposits (Others) Account had been debited to the Sundry Deposits (Provincial Councils) Account.
- (c) Action had not been taken to identify specifically and capitalize the work-in-progress amounting to Rs.43,678,802 brought forward in the financial statements over a long period.
- (d) Prior year adjustments amounting to Rs.569,228 had been shown under operating activities in the cash flow statement.
- (e) In view of the errors in the computation of depreciation for the year under review, the depreciation for the year had been understated by a sum of Rs.9.6 million approximately.

2:2:3 Unexplained Differences

The following assets shown in the financial statements did not agree with the schedules furnished for audit. Action had not been taken over a long period for the rectification of those differences.

	Balance According to Financial Statements	Balance According to Schedules	Difference
	Rs.	Rs.	Rs.
Furniture and Equipment	30,610,135	31,876,644	1,266,509
Equipment	41,017,438	41,117,235	99,797
Motor Vehicles	98,764,082	105,195,204	6,431,122
Computers	8,715,539	7,433,125	(1,282,414)
Fish Tanks	13,726,094	8,804,357	(4,921,737)
Fish Ponds	215,801,277	220,508,738	4,707,461

2:2:4 Accounts Receivable and Payable

The following observations are made.

- (a) Action had not been taken up to the end of the year under review for the recovery of the lease income receivable amounting to Rs.1,612,285 of the Polonaruwa Fish Breeding Centre remaining receivable for more than two years.
- (b) Action had not been taken for the settlement of the creditors balances amounting to Rs.6,922,220 remaining payable for more than two years.

2:2:5 Lack of Evidence for Audit

The registers, documents and schedules in support of the sum of Rs.416,492 remaining payable for the fishermen's identity cards had not been furnished to audit.

2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliances with the following laws, rules and regulations were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulation 371(2)(c)	Even though the ad hoc advances granted should be settled immediately after the completion of the purpose, the advances amounting to Rs.6,620,807 granted in 41 instances had not been so settled.
(ii) Financial Regulation 138	Payments had been made on 13 uncertified vouchers valued at Rs.6,929,962.
(b) Public Enterprises Circular No. PED/12 of 02 June 2003 Section 9.4	Even though the officers of the Authority cannot be released to a Ministry or another institution without the approval of the Cabinet of Ministers, three officers had been released contrary to that requirement and a sum of Rs.748,440 had been paid as salaries up to the end of the year under review.
(c) Management Services Circular No. 30 (1) – No. DMS/A/08/21 of 01 June 2009.	In placing the officers in the new salary steps in the revision of salaries of employees and regrouping under the new groups a section of the officers in service at that time had been overpaid 09 salary increments.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the operations of the Authority during the year ended 31 December 2013 had resulted in a deficit of Rs.9,099,309 as compared with the corresponding deficit of Rs.20,364,390 thus indicating a decrease of Rs.11,265,082 in the deficit as compared with the preceding year. The decrease in the deficit represented 55 per cent and the favourable variance had been due mainly to the increase in income.

4. Operating Review

4:1 Performance

According to the reports of the Authority, the production of fresh water and brackish water fish during the past 05 years had been as follows.

Year	Production of Brackish Water Fish	Production of Fresh Water Fish
	Metric Tons	Metric Tons
2009	293,170	46,560
2010	330,240	51,390
2011	381,260	59,560
2012	417,220	68,950
2013	445,930	66,910

The production of brackish water fish in the year under review as compared with the year 2012 had increased by 7 per cent while the production of fresh water fish had decreased by 3 per cent.

4:2 Management Inefficiencies

The following observations are made.

- (a) The special advances, fuel advances and petty cash advances amounting to Rs.292,346 granted during the year under review had not been settled as at 31 December .
- (b) A sum of Rs.256,438 granted as local purchase advances had not been settled even as at 31 December of the year under review.
- (c) Even though the Paying Officer should regularly check whether the Bank balance is adequate for making payment by cheques, cheques valued at Rs.1,932,930 had been dishonoured due to writing cheques without taking such action.

4:3 Staff Administration

The position of the approved cadre and the vacancies as at 31 December 2013 had been as follows.

Particulars	Approved Cadre	Actual Cadre	Number of Vacancies
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Staff Grades	88	78	10
Non-staff Grades	418	365	53
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Total	506	443	63
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5. Accountability and Good Governance

5:1 Internal Audit

An adequate staff had not been attached to the Internal Audit for the performance of the duties and responsibilities. The staff had not been approved by including posts of assistants to enable the performance of internal audit work of the Head Office.

5:2 Budgetary Control

Significant variances were observed between the budgeted amounts and the actual amounts thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems are controls observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (i) Assets
- (ii) Advances
- (iii) Leases
- (iv) Accounting
- (v) Human Resources Management