

# National Aquatic Resource Research and Development Agency – 2018

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## 1. Financial Statements

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### 1.1 Adverse Opinion

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The audit of the financial statements of the National Aquatic Resource Research and Development Agency for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, 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 Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, because of the matters described in paragraph 1.5 of this report the accompanying financial statements do not give a true and fair review of the financial position of the Agency as at 31 December 2018 and 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 Adverse Opinion

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

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

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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 Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Agency 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 Agency.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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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 Agency'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 Agency'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 Agency 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 Agency and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Agency has complied with applicable written law, or other general or special directions issued by the governing board of the Agency ;
- Whether the Agency has performed according to its powers, functions and duties; and
- Whether the resources of the Agency had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Financial Statements**

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### **1.5.1 Internal Control over the preparation of financial statements**

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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 Standards**

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<b>Non Compliance with the reference to particular Standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
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(a) Contrary to the Sri Lanka Public Sector Accounting Standard 02, motor vehicle disposal profit of Rs. 8,619,377 and Rs. 5,937,115 generated from pre payments had been incorrectly adjusted to the cash flows generated from operating activities. Similarly, cash inflows from financing activities and cash outflows from investment activities amounted to Rs. 19,791,500 and Rs.2,463,876 respectively had not	Actions will be taken to correct this error in future.	Cash flow statement should be prepared in accordance with the Sri Lanka Public Sector Accounting Standard 02

been adjusted to the cash flow statement and money invested for fixed assets had been overstated by Rs. 22,207,418. Further, although cash and cash equivalents for the year was zero, it had been incorrectly stated as Rs. 34,686,128.

- (b) Contrary to the Sri Lanka Public Sector Accounting Standard 07, depreciation for the assets had been over stated by Rs. 2,279,180 in financial statements after calculating. As per the paragraph 92(c) of the standard, carrying amount relating to 07 motor vehicles identified for sale but it had not been sold even end of the year under review, had not been disclosed in financial statements. Contrary to the paragraph 21 of the standard, a sum of Rs. 11,885,455 incurred on repair of motor vehicles and samuddika research vessel had been capitalized. Although depreciation of an asset should be commenced after its intended use in accordance with paragraph 69 of the standard, construction of a hatchery complex had not been finished by the end of the year under review a sum of Rs. 19,791,499 had been capitalized to the building account.
- Actions will be taken to correct this error in future.
- Accounting and calculation of depreciation in relation to commercial assets should be done according to the Sri Lanka Public Sector Accounting Standard 07.
- (c) Treasury allocation of Rs. 39,930,000 received during the year 2017 for the payment of arrears of contribution since the cost of living allowance not applied by the agency when payment made to the Employee Provident Fund during the period of January 2006 to October 2015 and Although it should be paid back to the consolidated fund within 02 years from the Agency's earnings according to the decision of cabinet ministers No Cabinet Paper
- Recurrent grant given to the Agency and Royalty Income are sufficient for the expenditure of the year under review. So there is no revenue to incur the additional expense. This situation has arisen in several institutions under this Ministry. It had been stated on several occasions that the
- Relevant changes should be done according to the decision of cabinet ministers and Sri Lanka Public Sector Accounting Standard 08.

17/2/512/725/037 dated on 22 Ministry is making November 2017, a provision or procedures to resolve this. discourses had not been made as per Therefore no action had the paragraph 22 and 97 of the Sri been taken to show it as Lanka Public Sector Accounting an accrued expense. Standard 08.

### 1.5.3 Accounting Policies

Audit Observation	Comments of the Management	Recommendation
An accounting policy had not been recognized for recognition of Rs. 6,470,099 computer software as an intangible asset in the financial statements.	Actions will be taken to amend this policy in next year.	After preparing the required accounting policy for recognition of intangible assets, relevant disclosures should be made accordingly.

### 1.5.4 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Motor vehicle disposal profit had been overstated by Rs. 2,096,727 in the statement of financial performance because of the under adjustment of cost and their accumulated depreciations as at the date of disposal by Rs. 4,367,100 and Rs. 2,269,813 respectively when removing the value of 06 motor vehicles which were revalued in 2014 from the accounts and revaluation reserve of Rs. 7,276,600 was recognized through revaluation of those motor vehicles had not been removed from accounts after the sale of motor vehicles.	It is agreed with the audit observation. Steps will be taken to correct this error when preparing financial statement for the year 2019.	When disposing of fixed assets, the disposal profit or loss should be recognized correctly and present in financial statements after identifying the carrying amount and accumulated depreciation as at the date of disposal.
(b) Although it was stated in the Agency's accounting policies that the recognition of government grants are done according to the Sri Lanka Accounting Standard 20, sum of Rs. 6,090,164 fish tanks purchased under ministry grants during the years of 2017 and 2018 had not been accounted as fixed assets and government grants.	It is agreed with the audit observation. Steps will be taken to correct this error when preparing financial statement for the year 2019.	Capital assets purchased under government grants should be correctly accounted and present in financial statements.

- (c) Actions had not been taken by 31 December 2018 to assess and account value of two lands used by the Agency extent of 4.441 hectares in Panapitiya and Kapparathota. It is agreed with the audit observation. Steps will be taken to correct this error when preparing financial statement for the year 2019. Steps should be taken to account assets belonging to the Agency after assessing their value.
- (d) Although the accounting error of capitalization of Rs. 4,810,943 of motor vehicle repairing expense incurred in the year 2017, had been corrected when correcting prior year errors, corresponding depreciation recognized Rs. 292,679 had not been adjusted in the accounts. It is agreed with the audit observation. Steps will be taken to correct this error when preparing financial statement for the year the year. When capitalizing the assets, depreciation should be accounted after calculation.

#### 1.5.5 Unreconciled Control Accounts or Records

Item	as per Financial Statements	As per corresponding Record	Difference	Management Comment	Recommendation
	Rs.	Rs.	Rs.		
Expense payable for security service.	1,951,387	5,904,346	3,952,959	Management has not commented.	Balance amount payable for security services should be negotiated with relevant institutions and correct balance should be presented in financial statements.

#### 1.5.6 Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidence not available	Management Comment	Recommendation
(a) Plant and Equipment.	538,331	Journal vouchers for adjustments made to the opening balance of the property, plant and equipment.	It is agreed with the audit observation. Steps will be taken to correct this error when preparing financial statement for the year 2019.	All journal entries and vouchers should be presented to the audit.

(b)	Accrued expenditure which has been appeared more than 02 years.	5,574,590	Invoices and balance confirmations.	It is agreed with the audit observation. Steps will be taken to correct this error when preparing financial statement for the year 2019.	Relevant written evidence should be presented to verify the accrued expenses.
(c)	Project debtors	4,246,185	Balance confirmations.	It is agreed with the audit observation. Steps will be taken to correct this error when preparing financial statement for the year 2019.	Relevant written evidence should be presented to verify the debtor's balances.

### 1.5.7 Accounts Receivable and Payable

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	<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
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(a)	The project creditor's balance in the year under review amounted to Rs. 46,826,574 and out of which over three years balance was Rs. 17,902,236.	This is the remaining balance after payment is made from the money received for consulting services. Further it had been stated that once the project is completed, it will be accounted as an income.	Actions should be taken to settle interminable creditor balances after verifying the liability for settlement.
(b)	Rs. 1,759,606 of accrued expenses had not been paid from over three years and Rs. 5,574,593 had not been paid in between 02 to 03 years.	It had been stated that actions are taken regarding the payable amount of Rs. 1,759,606 and Rs. 5,574,593 remained unpaid over a period of 2-3 years is settling from the year 2018 under existing provisions.	Only if there is a liability, actions should be taken to settle after correctly identifying the further payable liability from the accrued expenses.
(c)	Purchase and service advance of Rs. 858,494 from more than 02 years period and Rs. 272,160 exceeded for 05 years period had not been settled	It had been stated that these balances will be settled soon.	As per the Financial Regulation 371, actions should be taken to settle advances as soon as the relevant job was completed.

## 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 104	Action had not been taken in term of financial regulations regarding misplacement of computer in the year 2012 valued at Rs.52,000 with an installed computer software purchased for Rs.411,000 in the year 2009.	Action will be taken in accordance with the decisions given in this regard.	Actions should be taken as per Financial Regulation 104.
(ii) Financial Regulation 395(a)	According to the Financial Regulations 395 (a), bank reconciliation statements had not been prepared for 3 bank accounts.	Bank reconciliation statements had not been prepared for 3 bank accounts. This is due to the these banks accounts are used only for clearance of funds remitted through these accounts.	Bank reconciliation statements should be prepared as per the Financial Regulation 395(a).
(iii) Financial Regulation 757(2)	The board of survey reports for the year under review had not been presented for audit.	The board of survey has been completed and a copy of report will be presented to the Auditor General within the next week.	According to the Financial Regulation 757(2), Board of survey should be done and presented to the Auditor General promptly.
(b) Treasury Circular No. IAI / 2002/02 of 28 November 2002	A fixed assets register had not been maintained for computers, accessories and software.	These reports will be introduced in the future.	According Treasury Circular, a fixed assets register should maintained for computers, accessories and software

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 8,532,720 and the corresponding deficit in the preceding year amounted to Rs. 38,665,230. Therefore an improvement amounting to Rs. 30,132,510 of the financial result was observed. Increase in government grant and Other Income by Rs. 113.5 million had mainly attributed to this increase.

### 2.2 Trend Analysis of major Income and Expenditure items

Other operating expenses had increased from Rs. 20 million to Rs 76.5 million by 73 per cent when considering with preceding year. This was mainly due to the increase in the Employees Provident Fund by Rs. 66 million.

## 3. Operational Review

### 3.1 Performance

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Even though a Scientific and technical committee was appointed in 2014 to undertake and evaluate research and development proposals, performance evaluation of the projects and advice on scientific or technical matters in accordance with Section 18 of the National Aquatic Resources and Development Agency Act No. 54 of 1981 and Amendment Act No. 32 of 1996, It was in inactive position without appointing new members by the April 2019. Due to this, because of the improper implementation of, i. Selection of timely and required research for the country. ii. Obtaining proposals from beneficiaries. iii. Performance evaluation of the projects carried out in annually, The findings of the projects could not be used effectively for the development of the fisheries and aquatic resources sector.	Requests have been made from Ministry to set up scientific and technical committee.	All measures should be taken to provide the country with the necessary performance after complying with the provisions of the Act and meeting the objectives of the Agency.

- (b) Because of the in term of section 34 of National Aquatic Resource Research and Development Agency Act No 54 of 1981, nonexistence of a registry which contained data, reports and descriptions obtained relating to the study, research, testing and other investigation and exploration conducted by the Director General, actions had not been taken to avoid the risk of repeatedly doing such things.
- Requests have been made from Ministry to set up scientific and technical committee. Steps will be taken to implement this committee as soon as the relevant appointments are made. Further, the performances of the researches are evaluated every 3 months by the Deputy Director General, Director Evaluation, Governing Board and Line Ministry.
- Action should be taken to comply with the provisions of the Act. All necessary activities should be taken to implement efficient and effective activities after incurring expenses from government provisions which is a limited resource.
- (c) Rs. 37,165,183 had been received to carry out a marine environment survey research for Petroleum Resources Development Secretariat. Without a proper basis Rs. 2,150,000 had been paid on 04 October 2018 to the direct and indirect staff for coordination and administration of the project activities on the recommendations of a Consultancy Services Review Committee. This committee had been set up without an approval of the Board of Directors.
- Rs.14, 321,198 can be paid for (60%) of direct service contribution from distributable profit based on the internal approval of the Agency and Rs. 2,386,868 can be paid for Indirect Contribution. Rs. 14,275,808 has been paid as direct service contribution. Rs. 2,037,651 has been paid as indirect contributions. The sum of Rs. 2,150,000 shown in the audit has been cited as an additional payment and it is not for any additional payment but a payment for direct contributions to the persons who were directly involved in the project from the payable amount for direct expenses. According to the section 2(f) of the Internal Circular, its section D (11) is not applicable to this. The payment was also approved after generally accepting by a top project management committee, including the CEO of the Agency. The appointment letter of committee has been attached. (Annexure 05)
- Payments should be made with a proper approval.

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| (d) | A sum of Rs.4,493,052 had been spent in the year 2011 for the purchase of two powerful engines for construction of 02 boats and sum of Rs.2,902,938 had been spent for construction activities of boats. But those construction activities had been ceased halfway. | It has agreed with the audit observation. | Purchasing should be made after identifying the needs. As per financial regulations, actions should be taken after identifying responsible officers for these improper activities. |
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### 3.2 Management Inefficiencies

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Audit Observation	Comments of the Management	Recommendation
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(a) The “ Tharane ” vessel constructed by spending Rs.15,685,632 in the year 2012 for the research activities of Coastal Zone had not been used for the relevant purpose up to end of the year under review. Even though directives had been given to sell the relevant vessel at the committee on Public Enterprises held on 12 November 2014, It had not been sold even by 31 December 2018. However , a cost of Rs.9,758,290 had been spent from the date in which this vessel had been constructed up to the end of the year under review for salaries and overtime of the officers who were engaged in the security activities of the vessel.	It has agreed with the audit observation. The construction was carried out according to the management decision in 2012. However this issue is subject to the government audit for many years, to stop payment on security the vessel was brought to the head office on 28.08.2018 incurring the expense of Rs. 704,273.15.	This observation has continued to be reported. Systems and controls must be introduced to ensure efficient utilization of the government fund which is a limited resource.
(b) A Consultancy Service Review Committee was appointed which was not specify in the governing board paper no 1840 approved by the governing board on 04 October 2012 and sum of Rs. 125,000 had been paid to those committee members from the project of the preparation of a Initial Environment Assessment Report for Geological Survey of the East Coast. Neither the meeting minutes nor the role of the committee were presented for the	This Committee has been paid a sum of money proposed by the Project Coordinator for their role. These committee members contribute directly to the project activities. Therefore there is no restriction for the payment as per relevant circular. The approval of the CEO of the Agency is sufficient as per this circular and your explanations above. This committee has been appointed by the CEO.	Payments should be made with proper approval.

audit. However, at least details of work performed and governing board approval regarding the payment of Rs. 125,000 to the committee members were not presented to the audit.

### 3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
(a) The Thandoori Burner valued at Rs.120,000 and the dish washing machine valued at Rs.352,800 purchased for canteen had remained idle without using from the year 2011 up to 31 December 2018.	These machines have been used. Currently, it is impossible to do further repairs.	Government funds which are limited resources should be used efficiently and effectively. It is questionable that unusable assets are further accounted as fixed assets. Procedures need to be introduced to identify and remove such items from board of survey.
(b) A computer software purchased for Rs.76, 800 in April 2014 had not been used up to December 2018.	When investigating matters, it has been used for about two years. Currently, new software is being used to connect the store, the purchasing division and accounting division. Therefore, the software used for store is no longer in use.	These observations have continued to be reported. Systems and controls must be introduced to ensure efficient utilization of the government fund which is a limited resource.
(c) The value of the bond amounting to Rs. 727,166, which was contracted on the post graduate degree of a scientist who resigned on 27 December 2016, had been failed to recover by the Agency from the year 2016.	Dr. Dahanayake is currently employed at the Open University. Therefore the request made to grant him a chance to provide his permanent service to Sri Lanka government through the Open University was rejected by the 110th Audit and Management Committee held on 28.02.2017 and the 5th Governing Board on 23.05.2017. As Dr. Dahanayake has lodged a complaint with the Human Rights Commission, investigations are currently underway. Therefore it is informed you that there is no possibility of further action until a reply letter will be received.	The value of bond should be recovered from responsible officers.

### 3.4 Resources Released to Other Organizations

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Audit Observation	Comments of the Management	Recommendation
<p>(a) A sum of Rs. 53,400,900 lands located in the Agency's Kalpitiya Research Center, Kapparathota Nara Regional Center and Rekawa Regional Center had not been vested to the Agency.</p>	<p>Kalpitiya Regional Research Center. Actions are being undertaken to vest the land.</p> <p>Kapparathota Regional Research Center</p> <p>Certificates of transfer of land have been forwarded by the Divisional Secretary of Weligama to the Land Registrar of Matara for registration on 29/04/2019. Further actions are being undertaken.</p> <p>Rekawa Regional Research Center It has informed that the district land use committee has agreed to transfer this center on a long-term lease.</p>	<p>Lands were developed by the agency should be vested promptly.</p>
<p>(b) Rs. 552,906 had been spent on constructions in prior year without vesting the ownership of land located in Panapitiya area belonging to the National Aquaculture Development Authority to the Agency and that land had not been vested to the Agency in the year under review. Contrary to the objectives of the Agency, a fish stall had been built in Beruwala area by incurring Rs. 15,245,000 in the year 2014 without vesting the land formally.</p>	<p>It is not agreed with the statement of "actions had not been taken to vest the land in the year under review". On 30.05.2013, NARA and the National Aquaculture Development Authority have signed an agreement with vesting the said property to the Agency for 15 years. As per the agreement, it is possible to commence research activities. Therefore the relevant infrastructure facilities have been developed. However, upon the approval receipt from the Cabinet meeting held on 18.10.2016 to vest the property permanently to the Agency, the request has been forwarded to the Line Ministry with relevant information to vest the property.</p> <p>Follow-up has been done on the matter.</p>	<p>After identifying the objectives of the Agency, constructions should be undertaken to achieve those objectives and actions should be taken to vest the ownership of lands to the Agency prior to commence the constructions.</p>

The delay in obtaining required information from other institutions has also affected this. (Eg delay in the valuation report of the Department of Valuation)

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| (c) | Rs. 400,542 had been paid by the Agency as salaries and allowances in the year under review after releasing three officers to the line Ministry and other government institutions. | It is agreed with the audit observation. However, the three officers have been released to the ministry on a request from the line ministry, but they have been called to the head office without extending the release period as it has been subjected to the government audit. | Actions should be taken as per the section 9.4 of the Public Enterprises Circular No PED12 dated on 02 June 2003. |
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### 3.5 Human Resources Management

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Audit Observation	Comments of the Management	Recommendation	
(a)	As at 31 December 2018, there were 116 vacancies in 29 positions directly related to research activities and 51 vacancies in 27 supporting service positions. It was also observed that the continuation of vacancies in these positions would adversely affect the achievement of principal objectives of the Agency.	The total number of employees approved by the Department of Management Services for NARA is 503 and there were 167 vacancies as at 31 December 2018. This 503 staff includes for the new Regional Research Centers which are to be start in Trincomalee, Pooneryn and Batticaloa.	Actions should be taken to fill the vacancies available in the Agency.
(b)	An officer who do not have the basic qualifications whatsoever required for the post had been recruited to the post of Director Finance.	After presenting the differences in the qualifications of Mr. Hewagama, who is serving as Director Finance to the governing board of NARA, the 08th governing board held on 29 November 2018 advised to consult the Management Services Department. Accordingly, in term of governing board advices, qualifications of Mr. N.S Hewagama acting as Director Finance was sent with all necessary information to the Department Of Management Service for their recommendation	Required systems and controls should be created to recruit on qualifications and experience required for each positions when recruiting officers in accordance with the scheme of recruitment.

through the Ministry of Fisheries and Aquatic Resources Development. The Department of Management Services has considered the matters and in the reply letter dated 30th March 2019 had stated that corporate membership of Institute of Chartered Accountants of Sri Lanka or Chartered Institute of Management Accountants as the qualification for the post according to the NARA Scheme of Recruitment approved on 12th April, 2013. But Mr N.S Hewagam's Membership in the Public Sector of the Institute of Chartered Accountants of Sri Lanka has not approved as a qualification for that post.

#### **4. Accountability and Good Governance**

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##### **4.1 Submission of Financial Statements**

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###### **Audit Observation**

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Even though the financial statements should be presented to audit within 60 days after closure of the financial year in terms of section 6.5.1 of the Public Enterprises Circular , No.PED/12 dated 02 June 2003 , the Agency had presented financial statements for the year under the review to audit after a delay of 60 days that is on 29 April 2019.

###### **Comments of the Management**

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This was delayed for up to 60 days due to bad conditions in the country. Also, the inability to submit the Management Letter when submitting financial statements was affected by this.

###### **Recommendation**

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Required systems and controls should be developed to present financial statements to the audit on due date following the Public Enterprises Circular No. PED/12 dated on 02 June 2003.

##### **4.2 Internal Audit**

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###### **Audit Observation**

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The Internal Audit Division had issued 23 audit queries during the year under review and no corrective

###### **Comments of the Management**

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After the internal audit reports have been submitted to the Chairman, the Director General has been forwarded to take

###### **Recommendation**

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The Internal Audit Division should be strengthened to strengthen the systems and controls needed to bring the agency's accurate

action had been presented by the management in relation to the observations stated in the audit queries.

necessary action. The Director General has forwarded it to the relevant divisions for corrective action. The Director General has not been notified regarding the actions taken by those divisions.

information to the top management and achieve the desired objectives of the Government.

#### 4.3 Audit Committee

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##### **Audit Observation**

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The Agency held only 03 Audit and Management Committee meetings during the year under review and preceding year.

##### **Comments of the Management**

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The activities of the Internal Audit Division were carried out by a staff of four persons including an Internal Auditor, Audit Officer, Management Assistant and a Service Assistant. Although there was insufficient staff, audit program has been carried out as planned during this period. But the Audit and Management Committee meeting which was to be held in the last quarter could not be held due to unavoidable reasons.

##### **Recommendation**

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According to the Public Enterprise Circular No. PED / 12 dated on 02 June 2003, it has to be used as strength to achieve the objectives of the Agency after holding the Audit and Management Committees.

#### 4.4 Sustainable Development Goals

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##### **Audit Observation**

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Every Government Institutions should work as per the United Nations' year 2030 Agenda for Sustainable Development and the relevant questionnaire had stated that the National Aquatic Resource Research and Development Agency has implemented the work under its purview with regards to the year under review. Nevertheless, actions had not been taken by the Agency to identify the Sustainable Development Goals, its goals, milestones for targets, and the indicators for measuring the achievement of goals in relation to its functions.

##### **Comments of the Management**

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Action plan has been prepared according to the directions given by the Ministry in this regard. Accordingly, targets and indicators were presented. If further amendments are to be made, action will be taken in the future.

##### **Recommendation**

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According to the United Nations 2030 Agenda, all Government agencies must achieve Sustainable Development by 2030. Necessary steps should be taken to plan and implement the necessary tasks.