

Head 290 Department of Fisheries and Aquatic Resources

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Fisheries and Aquatic Resources for the year ended 31 December 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 Department was issued to the Accounting Officer on 26 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 Department was issued to the Accounting Officer on 29 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 Department 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.

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

The 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 Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

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

1.4 Auditor's Responsibilities 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 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 following recommendations made by me on the financial statements of the preceding year had not been implemented.

Reference to the Paragraphs of 154 (6) Report of the Auditor General's for the year 2019	Audit Observation	Recommendation
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(i) 1.6.2 (a) (Financial Statement)	Although the property plant and equipment as at 31 December 2019 was Rs.742,365,856 as per the treasury books, that value was Rs.620,871,012 in the assets report, which represented a non-comparison of Rs.121,494,844.	The reasons for this difference from last year must be identified and properly accounted for.
(ii) 1.6.3 (a) (Failure to maintain documents and books)	A Register of Losses had not been updated in terms of the provisions of Financial Regulation 110.	A Register of Losses should be updated and maintained according to the format in terms of the provisions of Financial Regulation 110.
(iii) 1.6.4 (a) (Lack of audit evidence)	Although the total amount of Beach Dimer export license revenue received by the Finance Division in the year 2019 was stated as Rs.4,595,850, as the value of the license issued by the Management Division was stated as Rs.4,365,850 a difference of Rs.230,000 was observed and evidences were not presented for.	Income records must be maintained accurately.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

The following observations are made.

Non-revenue Receipts

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although Rs.730,183,000 had been received as the Treasury Imprest, as it was stated as Rs.743,989,899 in the statement of the financial performance, thus the Treasury Imprest had been overstated by Rs. 13,806,899.	Revenue collected on behalf of other departments has also been added to the treasury imprest receipts.	The treasury imprest must be properly accounted for.
(b) Although according to the statement of financial performance and the trial balance of the department, the acquisition of capital assets was Rs.17,152,913, the difference was Rs.1,074,250 as the value was stated as Rs.16,078,663 as per Treasury Computer Print (SA-82).	This difference is due to the fact that intangible assets are not included in Treasury computer prints.	The books of the department should be corrected in comparison with the treasury computer printing.

1.6.2 Statement of Financial Position

Property, Plant and Equipment

The following shortcomings were revealed in the accounting of the Property plant and equipment.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although according to the financial statements, the value of the property plant and equipment as at 31 December 2020 was Rs.778,299,720, according to the treasury books, the value of the asset report was Rs.777,186,965, which represented a non-comparison of Rs. 1,112,755.	That such shortcoming will be addressed in the future.	The non-financial asset declaration must be properly prepared.

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| <p>(b) Although the balance of the property plant and equipment for the year 2019 was stated as Rs.759,723,389 in the statement of financial position for the year 2020, according to the Treasury Report (SA82) and ACA-6 report for the year under review, those values had been stated as Rs.761,108,302 and Rs.671,412,631 respectively, which observed a difference of Rs. 1,384,913 and Rs.88,310,758.</p> | <p>Action is being done to rectify the shortcomings.</p> | <p>-those-</p> |
| <p>(c) Although according to the Financial Performance Statement and the Departmental Trial Balance, acquisition of capital assets had been shown as Rs.17,152,913, total of capital assets purchases in the ACA-6 Statement on Non-Current Assets had been stated as Rs. 17,264,578 an increase of Rs. 111,665.</p> | <p>Action will be taken to check and correct the fixed asset register.</p> | <p>The Fixed Assets Register must be corrected and the ACA-6 Declaration on Non-Current Assets must be properly prepared.</p> |

1.6.3 Cash flow Statement

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>(a) Although the expenditure incurred on other Heads of Expenditure in the Cash Flow Statement was stated as Rs.8,337,904, according to the departmental trial balance, the total expenditure was Rs.22,024,315. Accordingly, Rs.13,686,411 had been understated in the cash flow statement.</p>	<p>The amount mentioned in the cash flow statement is Rs. 8,337,904.00 which is only the sum of the recurrent expenditure incurred on behalf of other Ministries.</p>	<p>The cash flow statement must be prepared correctly.</p>
<p>(b) Although according to the trial balance of the department, the acquisition of physical assets was Rs.66,878,818, the value under acquisition of physical assets in the cash flow statement had been stated</p>	<p>The difference of Rs. 1,053,715 is the cross-section of capital expenditure under the acquisition of physical assets in the cash flow statement. These cross entries have been</p>	<p>-those-</p>

as Rs.65,825,103. As a result a reduced and stated in the cash difference of Rs. 1,053,715 was flow statement. observed.

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| <p>(c) Although the value of the deposit receipts shown in the departmental trial balance was Rs.41,355,220, deposits receipts in the cash flow statement were Rs.38,529,938, thus the deposits receipts value of Rs. 2,825,282 had been understated in the cash flow statement.</p> | <p>That this difference has occurred due to understated the cross entries value of the deposit receipts by Rs.2,825,282 in the cash flow statement.</p> | <p>-those-</p> |
| <p>(d) Although the value of the deposit payment is Rs.35,244,629 according to the departmental trial balance, the cash flow statement stated that the amount was Rs.32,419,346 while the deposit payment was understated by Rs.2,825,282.</p> | <p>Payment of deposits is Deposit payments are recorded in the cash flow statement only cash value in the cash flow statement. But the difference is that the value of the cross-entries in the trial balance has also been added.</p> | <p>-those-</p> |

1.6.4 Reconciliation Statements on Advances to Public Officers Account

Following are the audit observations made in this regard.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Although according to the Treasury Books (SA-52) the value of the advance was Rs.22,264,578 but according to the departmental trial balance it was Rs.21,896,294. Accordingly, the difference of Rs. 368,284 had not been adjusted to the adjustment account.</p>	<p>The departmental trial balance include receipts collected by the department in cash and debit entries and do not include transactions made through account summaries.</p>	<p>The difference between departmental and treasury books should be identified and adjusted to the imprest adjustment account.</p>
<p>(b) The balances according to the department's books and the treasury computer printouts had not been accurately stated and compared in the annual reconciliation statements for the advance account for public officers.</p>	<p>The department's books have been prepared by comparing with the Treasury Computer Printouts that any deficiencies can be identified.</p>	<p>Comparisons of the departmental book with treasury computer printouts should be accurately noted.</p>

1.6.5 Non-maintenance of Registers and Books

Audit Observation	Comments of the Accounting Officer	Recommendation
A Register of Losses had not been updated in terms of the provisions of Financial Regulation 110.	These accidents have not been reported to the accounts division and action will be taken to include them in the losses register once they are reported.	Information on 8 traffic accidents should be included and updated in the Register of Losses in terms of the provisions of Financial Regulation 110.

1.6.6 Lack of Audit Evidence

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

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Journal vouchers for Rs.100,325 which deducted from capital expenditure by cross entries in month of July 2020 had not been submitted for audit.	Journal vouchers for Rs.100,325.00 have been prepared.	Journal vouchers must be submitted for audit.
(b) During the inspection of the expenditure ledger account maintained in respect of the building and construction expenditure No. 290-1-1-0-2104, although it was observed as per the ledger that the adjustment of a expenditure of Rs.303,490 done by journal entry no 565 as at 31 December 2020 and removing of that expenditure done by the journal entry no 189, the relevant journal entries and details were not submitted for audit.	A journal form has been submitted to rectify the receipt voucher 20/12/189 which was recorded as a surcharge on an expenditure head by mistake under the CIGAS program.	-those-

2. Financial Review

2.1 Revenue Management

Audit Observation

Comments of the Accounting Officer

Recommendation

- | Audit Observation | Comments of the Accounting Officer | Recommendation |
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| (a) According to the Declaration of Revenue (ACA-1 (i)) as at 31 December 2020, the total arrears income for the years 2018, 2019 and 2020 was Rs.160,000, Rs.75,000 and Rs.4,202,199 respectively and the total was Rs.4,437,199. The recovery of arrears was weak as only Rs. 5,000 had been recovered for the year 2019 from the arrears in the year under review. | Due to the Covid epidemic, the collection of arrears was hampered and action will be taken to recover the arrears. | Since the recovery of arrears during the previous year was also very weak, plans need to be made to recover the arrears. |
| (b) Despite the actual revenue of Rs. 58.34 million in the previous year, the management has underestimated as Rs. 48 million for the year under review. Further, actual revenue for the year under review was Rs. 43,562,801 compared to the revenue collected in the previous year and accordingly, actual revenue had decreased by 25.33 percent. | Income has been underestimated due to the Covid epidemic, which has reduced fish production, reduced imports and exports, reduced supply of port services, reduced issuance of hygiene certificates and other services which is difficult to maintain as before. | Realistic revenue estimates need to be prepared and action taken to achieve the targets. |
| (c) Although the revenue from issuing skipper licenses in previous year was Rs. 415,000, the revenue from skipper licenses for the year under review was estimated as Rs.165,200. The actual revenue for skipper licenses during the year under review was Rs.312,350. Accordingly, estimation had not been done after considering the revenue for the previous year. | Skipper license revenue, which was an uncertain income, was underestimated due to the Covid situation and the actual income was Rs. 312,350. | Realistic revenue estimates need to be prepared. |

2.2 Certification of Accounting Officer

Audit Observation

The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the Department in terms of provisions set out in Section 38 of the National Audit Act No. 19 of 2018 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. 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.

Comments of the Accounting Officer

In the future, a progress review of the internal control system will be conducted and relevant reports will be submitted.

Recommendation

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

2.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Observation

Reference to Laws, Rules and Regulations

Non-compliance

Comments of the Accounting Officer

Recommendation

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| (a) | Financial Regulations of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka | Eight accidents had not been investigated and those responsible had not been determined. | In the face of the Covid situation, investigations could not be carried out in this regard. Investigations will be carried out in future regarding such accidents and losses and necessary reports and documents will be obtained. | Must comply with the Code of Financial Regulations. |
| | 103(1)(c) and 104(1), 104(2), 104(3), 104(4) | | | |

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| (b) | 2006 Government Procurement Guidelines

Section 9.3 (b) of Supplement No. 19 dated 8 September, 2010 | Although it was stated that the approval of the Secretary to the Line Ministry should be obtained for repairs of vehicles exceeding Rs.200,000, there were two instances where repairs were carried out only with the approval of the Director General without complying with that law. | When dealing with car accidents, the repairs have been done correctly as the bids have been called under the market price quotation scheme. | Actions should be done as per the procurement guidelines. |
| (c) | 3.1 of the Guidelines for the Preparation of Financial Statements under Paragraph 10.1 of the Public Finance Circular No. 02/2020 dated 28 August 2020 | In preparing the financial statements of the Department, the statistical figures contained therein should be compared with the revenue, expenditure and main ledger balances mentioned in the Treasury Final Accounts Statement for the year 2020. They should have been included in the financial statement as the final treasury account statement attachment, but no such attachment was made. | Attachments from ACA-01 to ACA-06 are reports that compare revenue with expenditure and main ledger balances. | Must act in accordance with the Public Finance Circular. |

3. Operating Review

3.1 Annual Performance Report

Audit Observation

The Annual Performance Report had not been submitted for audit in accordance with the Formula No. 14 issued by the Department of Public Finance in accordance with 10.2 of the Public Finance Circular No. 2/2020 dated 28 August 2020.

Comments of the Accounting Officer

That the Annual Performance Report for the year 2020 has been prepared.

Recommendation

Annual performance report should be prepared and submitted in accordance with the circular.

3.2 Losses and Damage

Audit Observation

Although the loss of Rs.16,244,568 due to floods had been stated in the statement of losses and omissions submitted with the financial statements, the estimated loss had been stated as Rs. 18,977,960 according to the letter No. DFAR / E01 /09/2018/41 dated 20 September 2019 of the Director General addressed to the Secretary to the Ministry. Accordingly, the financial statements submitted had stated a loss of Rs. 2,733,392 less than the statement of losses and omissions.

Comments of the Accounting Officer

That the damage and loss will be re-examined and action will be taken to correct the register of damage and loss.

The Register of loss and damage should be updated and maintained properly.

3.3 Management Weaknesses

The following observations are made.

Audit Observation

(a) The number of multi-day fishing vessels registered for operations in the year 2020 was 988. At the time of registration, The registration fee is Rs. 5,000 for vessels 13.5m to 15m, Rs. 50,000 for vessels from 15m to 24m and Rs.500,000 for vessels over 24m. Accordingly, the income from the registration of multi-day fishing vessels for the year under review should have been Rs. 25,505,000, according to the documents of the Finance Division, the income was only Rs.23,013,941. Accordingly, the management had not paid attention to the difference of Rs.2,491,059 observed.

Comments of the Accounting Officer

Permits for fishing vessel operations are generally issued between November 1 and January 31. Accordingly, the value of licenses issued in 2019 for the year 2020 is not added to the revenue for the year 2020.

The difference of Rs.2,491,059 observed should be clearly documented.

- (b) Seventeen multi-day fishing vessels over 13.5 meters had not been obtained the licenses to operate, and one of them had not been obtained the licenses to operate for several years, but the action taken in this regard was not observed. Also, there was no system of checking through the District Fisheries Offices as to why the multi-day fishing vessels which had not obtained operating licenses were engaged in fishing operations and the reasons for not obtaining operating licenses.
- All fishing vessels must be registered first. That only registered vessels will apply for domestic and international maritime operations.
- An inspection system should be introduced through the District Fisheries Offices to identify whether the multi-day fishing vessels in operation have obtained operating licenses and the reasons for not obtaining licenses.