

## Head 290 Department of Fisheries and Aquatic Resources

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the Department of Fisheries and Aquatic Resources for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 16 June 2022 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 21 June 2022 in terms of Section 11(2) of the Audit Act. 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 2021, 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

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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

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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**

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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 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**

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I express the following matters in terms of Section 6 (1) (d) and Section 38 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.

## 1.6 Comments on Financial Statements

### 1.6.1 Accounting Deficiencies

#### (a) Receipts of Revenue

The following deficiencies were observed in accounting receipts of revenue relating to the Department.

	<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(i)	Rs.20,000 paid on 09 December 2021 for licenses for the re-export of ornamental fish was accounted as the deposits in the general deposit account instead of being added to the income, so the income was understated by Rs.20,000.	Ominta Aquarium International has paid Rs. 10,000 only for re-export of ornamental fish on 09.12.2021. The license has not been issued because the relevant institution has not received the recommendation from the NAQDA institution. Accordingly, the said receipts have been credited to the general deposit account.	Income should be properly accounted for.
(ii)	According to the Statement of Arrears Income (ACA-1(i)) accompanying the financial statements, although the arrears income from registration of vessels from the year 2018 to 31 December 2021 is Rs.123,000 as on 31 December 2021, a difference of Rs.155,000 was observed in the financial statements due to the total of arrears income for the above periods being shown as Rs.278,000 as per the records of income arrears submitted to the audit.	That has been agreed upon.	Income arrears should be presented correctly in the financial statements.

- (iii) According to the Statement of Arrears Income ACA-1(i) for the year ending 31 December 2021, although the opening arrears income balance as on 01 January 2021 has been shown as Rs.8,381,000, due to the fact that the balance as per the Statement of Arrears Income as of 31 December 2020 was stated as Rs.4,437,199, the opening balance of the year 2021 was overstated by Rs. 3,943,801. It was revealed that instead of the deficit income of Rs.4,151,199 due for the issuance of licenses for the import, export and re-export of raw fish at the end of the previous year, a deficit income of Rs.8,250,000 was shown as the opening balance of the year under review, but it was not disclosed in the financial statements.
- By omission and in preparing the financial statements for the year under review, the error has been rectified and Rs.8,250,000 has been entered as fees due for issuance of licenses for import, export and re-export of raw fish.
- Changes made in prior year financial statements should be disclosed.
- (iv) While the license has been issued by the management division regarding the amount of Rs. 100,000 paid by Mas Lanka on 23 December 2020 under the online method for the export of raw fish, because it was not included in the income of that year but included in the income of the year 2021 thus, the income for the year had shown more than Rs.100,000. As per 175(1)(b) of the Financial Regulation, a record of the amount due from each person was not ensured and it was not possible to recognize that this amount was not collected during the year under review.
- According to F.R. 175(1)(b), the relevant divisions were informed to keep records of the money due from each person and to arrange for the formal recovery of the said money.
- Revenue collected during the year under review should be correctly identified and accounted for.
- (v) According to the Treasury computer printouts, the total revenue was Rs.64,606,538, and although the figures mentioned in the departmental documents had been changed to be equal to that total revenue, none of those changes had been certified by a responsible officer.
- The income entered through the Cigas computer program was Rs. 64,606,538 is also correctly confirmed as per the treasury prints.
- Changes should be made and confirmed by a responsible officer.
- (vi) Although the sum of receipts to the finance division as sea cucumber export license revenue in the year 2021 is stated as Rs.4,882,500 According to the documents submitted by the management division for the audit, a difference of Rs.30,500 was observed from the sea cucumber export license income of Rs.4,912,500.
- That there is no financial wrongdoing.
- Coordination between all divisions should be formal.

- (vii) Although licenses have been issued by each division for 07 categories of income for the year under review, the management had not worked to identify the reasons in respect of non-conformity with the documents of the finance division and said income. That this was discussed with the relevant divisions and advised to maintain records correctly. There should be a formal coordination between all divisions.

**(b) Capital Expenditure**  
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<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
Even though Rs.16,574,347 had been shown under acquisition of capital assets as per the financial performance statement and Treasury printed SA 82 summary, total purchases of capital assets in the statement of non-current assets ACA-6 had been shown as Rs.289,986,291 by overstating Rs.273,411,944 .	In the Treasury printed SA 82 Summary shown under Acquisition of Capital Assets Rs. 16,574,347 worth has been correctly classified under purchases of the year under review in Note ACA 6.	Balance should be presented accurately comparing capital assets with treasury prints.

**(C) Deposits**  
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<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
Due to the fact that the Department did not inform the treasury about the recovery of the rent and works advance balance of Rs.8,518,925 in the year 2019 on expansion of Vessel Monitoring Unit, it had been carried forward under the vote number 9189 in the treasury books (SA-90) as at 31 December 2021. But the Department had not compared and corrected with the treasury books in the year 2021.	This balance will be settled this year.	Departmental transactions must be accurately reported to the Treasury.

## 2. Financial Review

### 2.1 Revenue Management

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	The reasons given for the difference between the actual income of Rs.64,573,638 and the revised income estimate of Rs.43,000,000 in the explanation of variances between the revised income estimate and the actual income accompanying the format in the financial statements are not reasonable and it was observed that not much revenue was received due to the new gazette which revised the license revenue. Although the income in December had increased due to the occurrence of more number of license renewals in December, it was observed that the reasons given regarding an excess of Rs. 21,606,538 or 50 percent were not reasonable.	That the actual income has increased due to the formation of somewhat good atmosphere in the country in the months of November and December in the year 2021 and due to the new gazette number 2255/22 issued on 24.11.2021.	Actions should be done to estimate the income accurately and the reasons for the difference between the actual income and the estimate should be correctly identified.
(b)	Although it has been informed that realistic and reasonable values should be included as much as possible in the preparation of revenue estimates in accordance with paragraph 02 of the letter of the Treasury Operations Department No. TOD/Rev/M2/01 dated 28 May 2020 regarding the preparation of revenue estimates for the year 2021, the terms were not followed in preparing the income estimates for each year from 2018 to 2021.	That it was noted to work in a way that minimizes the deficiencies in the future and in accordance with the instructions of the Treasury Operations Department.	Actions should be done as per the instructions of Treasury Operations Department.
(c)	According to the letters issued by the Chief Accountant of the Department to the officers regarding the reasons for the deficit or excess income, the revised income estimate for the year 2021 was mentioned as Rs. 43,206,000, a difference of Rs.206,000 from the approved revised revenue estimate of Rs.43,000,000 and although the actual income according to the said letters was Rs.64,819,638, a difference of Rs.246,000 was also observed due to the fact that the actual income was shown as Rs.64,573,638 in the financial statements. But the causes were not observed.	That the revenue collected in the year 2021 has been correctly accounted for.	Actions should be taken to indicate the revised income estimate and actual income accurately.

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| (d) | According to ACA-1(i) of the statement of arrears income as at 31 December 2021, the deficit income was Rs. 8,605,000. As the arrears collected was Rs.42,000, the progress in the collection of arrears remained at a very weak level of 0.5 percent | The deficit income for issuance of licenses for import, export and re-export of raw fish was Rs. 8.25 million as unrecoverable income. The concerned divisions were instructed to recover other arrears of revenue. | Actions should be taken to recover the arrears of revenue immediately. |
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## 2.2 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The total net provision of Rs.19,500,000 was saved in relation to 4 expenditure objects and the savings in the net provision relating to 5 expenditure objects ranged from 25 percent to 81 percent.	That because the Treasury did not revise the budget estimates, the savings were shown as savings under departmental expenditure objects.	Arrangements should be made to fulfill the desired development activities.
(b) Considering the actual expenditure related to 2 expenditure objects, despite the allocations allocated by the annual budget estimates being sufficient, provisions of Rs.500,000 had been transferred under Financial Regulation 66 and remained unspent.	That vouchers are not submitted for payment on time.	Provisions should be transferred with proper planning.
(c) A total provision of Rs. 23,100,000 had been made through supplementary funds up to 100 percent and 131 percent respectively for two expenditure objects due to a weakness in estimation and the remaining sum of Rs. 3,600,000 had been transferred to two other expenditure objects.	That the provisions under F.R. 66 have been transferred due to a certain amount of provision remaining due to frugality of expenditure and temporary closure of the country and due to late submission of vouchers for illegal fishing raids.	Provisions should be transferred on a formal plan.

### 2.3 Operation of Bank Accounts

Deficiencies revealed at the audit test checks carried out on operation of bank accounts, appear below.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) Financial Regulation 396 had not been followed in respect of 43 post-dated cheques totaling Rs.13,221,325 by 31 December 2021.	That has been accepted.	Actions should be done as per the Financial Regulations 396.
(b) The total amount of unrealized receipts related to 9 cases was Rs.17,280 and the total amount of unrecognized receipts related to 39 cases was Rs.942,670 from January to December 2021 had not been identified and accounted for.	That has been accepted.	Actions should be done as per the Financial Regulations 396.
(c) The amount of unidentified payments of Rs.18,500 on 2 occasions in relation to the months of January and December 2021 had not been identified and accounted for.	That has been accepted.	Actions should be done as per the Financial Regulations 396.

### 3. Operating Review

#### 3.1 Annual Performance Report

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The Annual Performance Report had not been prepared and submitted in accordance with the format mentioned in Guideline No. 14 issued by the Public Finance Department in terms of paragraph 10.2 of Public Finance Circular No. 2/2020 dated 28 August 2020.	It was instructed to prepare and submit annual performance reports for the year 2021 as per Public Finance Circular No. 2/2020.	The circular should be followed.



### 3.2 Management Weaknesses

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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<p>With the aim of increasing the fish population under the introduction of new technology, the project of sinking abandoned fishing vessels, buses and railway carriages in the districts of Trincomalee, Jaffna, Galle and Matara to improve the marine ecosystem was started in July 2020 and completed in December 2021. Rs.18,274,800 was paid to the Harbour Corporation and Rs.10,952,406 to the Sri Lanka Transport Board in the previous year and in the year under review. But it was not revealed that any follow-up activities had been done on the success of this project.</p>	<p>The director of the Ministry of Commerce and Shipping of Sri Lanka has been informed to carry out the necessary preliminary work and instructions to take the necessary actions to map the locations of the ocean floor and in several discussions with the Naval Commander, requests have been made orally to observe the relevant areas of the completed projects and provide a report.</p>	<p>- Follow-up activities should be carried out to ascertain whether the objectives of the project have been achieved.</p>