

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 2022 comprising the statement of financial position as at 31 December 2022 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 30 May 2023 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 13 June 2023 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 Fisheries as at 31 December 2022, and its financial performance and cash flow 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.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Reconciliation Statement on the Advances to Public Officers Account

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) An officer who has an outstanding Distress loan balance of Rs. 139,800 as at 31 December 2022 had been resigned from the Department on a personnel matter on the date of 30 December 2022. It was included in the schedule of outstanding balances to be recovered from the officers who are in the department without being recovered the total outstanding balance from that officer. No any action had been taken regarding officers who are responsible for non - recovering of loan balances as per the 4.5 and 6.3 of paragraph XXIV of the Establishment Code.	Relevant officer has been aware by letters on 01 January 2023 and reminder also has sent on 07 March 2023. It was informed that if action had not taken to settle the balance it would have to be taking legal actions and resignation has not approved up to now by the department.	Action should be taken in accordance with the Establishment Code regarding non settlement of loan balances.
(ii) An office Assistance who has included in the schedule of Officers of vacated of post under the attachment 3.7 of the reconciliation statement in the Advance “ B ” account had been vacated of post on the date of 11 August 2021 and at that time amount of Rs. 229,997 of Distress loan and a Rs., 1,585 of Special Advance had been the due amount totaling to Rs. 231,582 to the department. However in the schedule 3.7 of age analysis it had indicated that balance even as receivable balances form the officers of vacated of post between 0-3 months, vacated of post of that officer had been lapsed more than one year as at 31 December 2022. Accordingly it was observed that the age analysis of the loan balances was not accurate and the details mentioned in the attachment 3.7 of the reconciliation statement in the Advance “B” account were not accurate. And also action had not been taken in accordance with the section 4.5 and 6.3 of the paragraph XXIV of the Establishment Code regarding the outstanding loan balances which have not	Transferring the loan balance from the previous department that worked has only been done. Therefore there was not a loan file of the officer. It was informed that by the letter dated 10 March 2022 the action should be taken to settle before the date of 01 April 2022. Furthermore a reminder has sent again on the date of 10 May 2023 and has been informed if the action is not taken to settle the loan balance it would have to take legal actions.	Outstanding balances of loan should be recovered and details regarding that should be accurately submitted.

been recovered.

- (iii) Due to non-preparing of the schedule of outstanding loan balances of officers who are in service that shown in the attachment 3.1 presented with the Public Services Advance “B” Account Reconciliation Statement as at 31 December 2022 consistent with the Members’ Loan Registers (CC10), it was impossible for audit to check and verify the accuracy of the individual balance receivables from the officers in service amounting to Rs. 68,678,013 shown in the schedule.
- Since the Members’ Loan Registers (CC10) should be used economically it was planning to prepare to be able to use period of 2 years and regarding officers of transferring in to and officers who have promotions within that period some time on the insufficient of the spaces allocated in the CC10 Registers, in practice this problematic situation has arisen However the loan balances shown in the CC10 was agreed with the attachment 3.1.
- The schedule of outstanding loan balances of officers who are in service that shown in the attachment 3.1 presented with the Public Services Advance “B” Account Reconciliation should be consistent with the Members’ Loan Registers.

(b) 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. 2,943,234 of deposits between 2 years to 5 years and amounting to a Rs.105,439 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.	Deposits amounting to Rs. 105,439 had been shown as overdue deposits between 2-5 years by mistake. Instructions have been given to correct that mistake.	Deposits reconciliation statements should be prepared by preparing accurate age analysis regarding deposits and 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. 6000-0-0-13-0-69 amounting a to Rs. 15,419,389 of deposits between 2 years to 5 years and amounting to a Rs.7,950,594 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 is taken to settle these balances in future.	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.

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| (iii) | Even though it should be mentioned that the reasons for deposits more than 2 years and values regarding those should be mentioned separately as per shown in the format 03 of Public Finance Circular No.02/2020 of the Guideline 03 the statement of General Deposit reconciliation which had presented with the financial statements had not been prepared as per the above guideline. | Instruction has been given to prepare Deposit reconciliation as per these formats. | Should be presented reasons separately for deposits more than 2 years as per the Circular. |
| (iv) | A list of individual balances as per the year of deposit total of Rs. 103,152,800 of deposit balances as at 31 December 2022 had not been maintained by the Department due to that it was impossible to verify the existence and accuracy of the deposits in audit. | Instruction has been given to prepare and maintain a list of individual balances of Deposits. | Should be prepare a list of individual balances of Deposits. |

(c) Property Plant and Equipment

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
Action had not been taken to transfer lands which are in 31 District Fisheries Offices own to the Department and even though the action should be taken to recognize the boundaries accurately lands out of 14 offices that preparing of boundaries had not been done.	It could be able to prepare boundary fence after transferring lands mentioned here to this department and therefore the lands that offices located had only given a transferring certificate with a legal ownership by Divisional Secretariat and action has been taken to transfer those lands to the department.	Action should be taken to transfer lands owned to the department and should be prepare boundary fence and accurately recognizing lands.

(d) Non-maintenance of Registers and Books

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Inventory of Electrical Fittings		
An Inventory of Electrical Fittings had not been maintained in terms of Financial Regulation 454(2)	Instructions are given to maintain registers.	An Inventory of all Electrical Fittings, apparatus etc. in Government Buildings should be prepared and maintained.
(ii) Catalogue of Books		
Catalogue of Books had not been maintained in terms of Financial Regulation 454(3)	Instructions are given to maintain registers	A separate register should be maintained for books and other publications of value.
(iii) A Register of Vehicles listed		
A Register of Vehicles had not been maintained in terms of Financial Regulation 1647 (e)	Instructions are given to maintain registers.	A Register of Vehicles should be maintained.
(iv) Record of Liabilities		
Record of liabilities had not been maintained in terms of Financial Regulation 214.	Instructions are given to maintain registers.	Liabilities should be recorded in a Record of Liability to ensure regular examination of such liabilities.

(e) Lack of evidence for audit

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Fields pertaining could not be audited properly due to details of Cadre, information officers procurement implemented during the year under review, progress of fulfilling Sustainable Development Goals etc. had not been presented for audit.	Action to be taken to provide details in future.	Information requested for audit should be presented as soon as possible.

- (ii) Diyawara Diriya loan scheme had been launched for fishermen who engage in fisheries activities in the year 2011 with the assistance of the Bank of Ceylon to contribute to increase of fish harvest of brackish water fisheries and fresh water fisheries in Sri Lanka and an amount of Rs. 25,044,774 of interest subsidy for the loan amount of Rs. 1,083,390,188 as at the end of the year 2022 had paid for the Bank of Ceylon by the Department of Fisheries. Any information had not been presented for audit about the loan amount given to the fishermen, recovering of loan installments, interest charged, and action taken regarding fishermen whose loan installment has outstanding, contribution of loan receivers to increase fish harvest.
- Since issuing of loans under this scheme had been done only on the security of property, no any issue has directed up to now regarding this. Even though direct follow up has not done about the contributing to increase fish harvest further, in finding out indirectly about this more quantity of high quality fish has been given for the foreign market as raw materials by these quality empowered vessels. The need for further follow up is under discussion and it has to be implementing through District Assistant Directors in future.
- Loan amount given to the fishermen, recovering of loan installments, interest charged, and action taken regarding fishermen whose loan installment has outstanding, contribution of loan receivers to increase fish harvest should be presented for audit.

2. Financial Review

2.1 Imprest Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Even though the imprest requested in the imprest account No. 7002-0-0-257-0-22 as planned for the year under review was a Rs. 1,053,542,000 the imprest had issued by the Treasury was Rs. 513,882,000 .Therefore by planning of imprest had expected main objectives like to promote local and foreign investments in fishing field, to introduce new technology in the exploitation of fishery resources in the national and international waters, quality and safety of the fish products for export in conformity with international standards, manage fisheries operational activities in conformity with international charters and regional conventions, minimize post-harvest losses and improve the quality of local fish products and the provisions allocated by the Parliament could not be utilized as planned.</p>	<p>Even though the imprest has been planned on the basis of actual requirement of the department and the imprest has been given on the limited base on scarcity of imprest and management of expenditure.</p>	<p>Action should be taken to achieve the objectives by preparing imprest plans as accurate and realistic manner.</p>

2.2 Income Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) According to the report of the arrears income as at 31 December 2022 relating to the income Head No. 10.03.07.06 forwarded to the Treasury with a copy to the Auditor General on 10 February 2023 there has been an amount of Rs. 3,503,339 of arrears license income it has mentioned in the statement of arrears income (ACA-1 (i)) as Rs. 11,000.	According to the letter No. DFAR/F/4/1/Department Rev./2022/2023 an amount of Rs. 3,503,339 of arrears income had been shown for the this year ended as at 31 December 2022 was an income which could not be recovered to the department as income in the future and no provisions has provided by the Gazette issued up to now to recover as a license renewal fee. Accordingly it has not been shown in the financial statements due to impossibility to recover after ending the year 2022. as relevant to that year.	Arrears income should be presented including accordingly the specific format.
(b) According to the statement of arrears income as at 31 December 2022 (ACA-1 (i)) there had been an amount totaling to Rs. 8,760,000 of arrears income at the start of the year 2022, as Rs. 266,000 for the year 2021, Rs. 8,494,000 for the year 2020 and the arrears income only totaling to Rs. 147,000 for the year 2021 and 2020 was Rs. 99,000 and Rs. 48,000 respectively had been recovered during the year under review and therefore the progress of recovering arrears income was about 1.67 percent of very poor level Furthermore the whole arrears income as at 31 December year under review was Rs. 9,916,000 and adequate procedures had not been prepared for collecting the arrears income.	This arrears income pertaining to registration of vessels and registration of fishing accessories suppliers. However Rs. 8,325,500 of amount out of those arrears income could not be recovered as arrears income That was informed by the letter No. MOF/F/1/7/21/DFAR dated 28 February 2023 issued by the Department of Public Finance. Accordingly out of Rs. 407,500 Rs. 147,000 had been recovered as actual arrears income and instructions are given to the relevant officers to recover the balance of arrears income.	Adequate procedure should be prepared for recovering of arrears income.

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| <p>(c) In terms of paragraph 61 of Fisheries and Aquatic Resource Act No2 Of 1996 and in terms of regulations made by the Minister and published by the extra ordinary Gazette Notice No. 2255/22 dated 24 November 2021 and mentioned its schedule i to schedule iv pertaining to amended 53 categories of license fees even though an income of Rs. 185,602,364 had been collected it was observed that these annual license have not been issued in a specific paper, proper format with pre numbering and avoiding opportunities to misuse of license.</p> | <p>The extra income collected and license issued by every section of the department are compared monthly. Accordingly to minimize issuing license without income to the government due to maximum internal control has used and to regularizing this condition further action is taken to establish the method of Payment Gateway using information technology methodologies</p> | <p>An adequate internal control should be implemented for issuing license.</p> |
| <p>(d) In terms of Financial Regulations 177 (1) even though it was mentioned that collections of whole amount to be remitted daily or at the earliest possible opportunity, there had been a time delay in accounting of daily income of Rs.5,599,973 from 01 day to 04 days in 13 instances in 5 District offices in the Fisheries and Aquatic Department.</p> | <p>Since the collecting of money has been done until 3.00 p.m every day therefore it was difficult to bank that income on that day itself. However district offices has been aware to remitted the Government money collected daily or at the earliest possible opportunity in terms of Financial Regulations 177 (1)</p> | <p>Whole amount should be remitted daily.</p> |

2.3 Expenditure management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Out of the total net provision of Rs. 12,300,000 had been allocated for two capital votes an amount of Rs.9,089,081 of allocation had not been utilized. That savings were between 54 percent and 75 percent out of the net provision.</p>	<p>The vote 290-1-1-5-2022-0/11 was for awareness programmes of fishermen. It was impossible to conduct awareness programmes visiting to the field as expected due to fuel crisis prevailing in the country. 290-1-1-2506-0/11-Due to acute fuel shortage prevailing during the year and issuing of fuel as quota system and therefore transport activities from South sea to North sea and difficult to transport buses from land could not be implemented projects within first three quarters of the year.</p>	<p>Estimates should be prepared accurately and realistically.</p>

2.4 Incurring of Liabilities and Commitments

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The balance of liabilities was Rs. 6,735,774 in the annexure (iii) format of financial statements presented for audit by the Fisheries and Aquatic Resources Department and as per the treasury computer print outs SA 92 report the approved liability balance was the Rs. 64,605,199. Accordingly a difference of Rs. 57,869,425 was observed between the liability details of financial statements and the treasury liability details. Accordingly the value of Rs. 57,869,425 of liabilities had reported to the treasury had not been included in the annexure (iii) of the financial statement of the year 2022.	Instructions have been given to the officers to maintain reports accurately comparing the value of the liability report with the values of the SA 92 in future.	All the liabilities have been reported to the treasury should be included in the format of the annexure (iii) of financial statements.
(b) Even though liabilities of SA 92 report of the treasury computer printout had been identified, the liabilities of the annexure (iii) of statement of liability in the financial statements had not been identified.	Instructions are given to correct these deficiencies in future.	Liabilities has identified by the department should be identified under the liabilities of the annexure (iii) of statement of liability in the financial statements.
(c) Liabilities amounting to Rs.1,425,433 had been shown under the No. 290-1-1-0-1504-11 of vote which is not a vote included in the annual estimate or newly created vote.	This is related to payment of interest for a loan facility which given to fishermen by the department of Fisheries in collaboration with the Bank of Ceylon.	Votes included in the annual estimate should be accurately shown under the liabilities in the financial statements.
(d) A liability amounting to Rs. 3,955,536 of interest subsidy should be payable in the month of October, November, December 2022 for the loans had been given to the fishing community of saltwater under the Diyawara Diriya loan scheme had not been shown in the financial statements.	Action is taken to avoid this type of deficiencies in future.	Liabilities and commitments entered by the department during the year should be included in the financial statements.

2.5 Issuance and Settlement of Advances

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) In terms of Financial Regulations 371 (4) it was mentioned that no Sub- Imprest should be used for purposes for which it would have been an amounting to Rs. 80,277 of Petty Cash Sub- Imprest and Sub- Imprest has been given by the Head Office in 6 instances has retained from period of 04 days to 11 months without incurring for any activity and had been refunded the whole amount.	All the payments of Sub- Imprest mentioned here has been settled in cash and vouchers up to now.	Imprest should be taken accordingly the requirement.
(b) In terms of Financial Regulations 371 (5) as amended by the Public Finance Circular No. 01/2020 dated 28 August 2020. Even though after issuing of Sub- Imprest should be settled that Imprest again within ten days of the relevant activity was finished, accordingly the audit test checks regarding the Sub- Imprests had been given in the year 2022 a period of time from 16 days to 115 days has taken to settle the Sub- Imprests.	Officers are being aware to settle the Imprest within ten days of the relevant activity was finished.	Settlement of Sub- Imprest should be done within the specific timeframe.

3. Operational Review

3.1 Planning

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
An amount of Rs. 5,000,000 had been estimated in the Annual Estimate under the 290-1-1-2001 rehabilitation and improvement of capital assets and in terms of F.R.66 provisions had been increased by more of Rs.281,000. Rs.5,200,000 as per the Revised Procurement Plan for the year 2022 dated 20 October 2022 it was planned to construction of buildings and rehabilitation and improvement. As per the Treasury printout SA10 the expenditure of the above vote was Rs. 5,240,360 and, those provisions had been used to settle the unpaid bills for rehabilitation and construction of buildings that completed in the year 2021. Accordingly the Annual Estimate and the Procurement Plan was not realistic.	Comments were not presented.	Physical and financial progress of the activities included in the Annual Action Plan should be included in the progress report of the Annual Action Plan.

3.2 Losses and Damages

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) A damage amounting to Rs.16,519,961 has been occurred due to leakage of water in the 06 th 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 contractor has to be responsible for the loss action had not been taken to recover the loss incurred to the government.	A committee has appointed consist of 03 officers on the date of 24 April 2023 to do an investigation under Financial Regulations 104 regarding the loss had occurred due to leakage of water in to the 06th floor since the construction of the building of Ministry.	The loss should be recovered from the responsible party.
(b) Details regarding 6 number of losses and damages which have been reported in the Register of losses is being maintained by the department had not updated completely and those losses and damages had not been included in the annexure (i) statement of losses and write-off and also in the statement of further recovery or to be write-off or to be give up in the financial statements.	Those losses and damages are regarding the events of 06 vehicle accidents. Those vehicle accidents had been writ-off time to time from the register of losses.	The register of losses which is maintained by the department should be maintained updating.