

Head 405 – State Ministry of Ornamental Fish, Inland Fish and Prawn Farming, Fishery Harbour Development, Multiday Fishing Activities and Fish Exports

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Ornamental Fish, Inland Fish and Prawn Farming, Fishery Harbour Development, Multiday Fishing Activities and Fish Exports 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 summery report containing my comments and observations on the financial statements of the State Ministry of Ornamental Fish, Inland Fish and Prawn Farming, Fishery Harbour Development, Multiday Fishing Activities and Fish Exports was issued to the Accounting Officer on 29 June 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 State Ministry was issued to the Accounting Officer on 20 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 State Ministry 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 responsibilities 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 Ministry 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 Ministry 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 Ministry’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

As the State Ministry was established in the year 2020, I cannot declare that these financial reports are consistent with the previous year in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

(a) Property, Plant and Equipment

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Although the State Ministry had spent Rs. 453,423 to acquire capital assets in the year 2020, the purchase of office equipment had been stated in the financial statement as Rs. 183,923. Thus the camera purchased at a cost of Rs.269,500 had not been included in the statement of non-financial assets as a capital asset.	The camera purchased in the year 2020 has been recorded to be corrected in the year 2021 due to a delay in accounting by the CIGAS software.	The cost of acquiring capital assets should be included in the statement of non-financial assets as a capital asset.

1.6.2 Lack of Audit Evidence

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

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Pursuant to Financial Regulation 272 (3), all payment vouchers should be sent to the Auditor General in every month not later than 6 weeks from the end of the relevant month. Expenditure of Rs. 804,462,191 relevant to the 4 sub projects of the Fisheries Harbour, Anchorages Development Project could not be satisfactorily vouched as the payment vouchers were not submitted for the audit.	Payment vouchers are currently in the possession of the Ministry of Fisheries.	Action should be taken to provide all payment vouchers for the audit within the stipulated period as per Financial Regulation 272 (3).
(b) The balance of Retention money for the contract as at 31 December 2020 was Rs. 197,226,919. Out of these, the relevant deposit register or list of individual balances was not submitted for the audit to verify the accuracy of the deposit balances amounting to Rs. 76,219,097 in between 1 and 2 years.	It has been prepared and submitted in accordance with Forms iii given in the Age Analysis Report of the General Deposit Account in terms of Accounts Circulars 249-2016 (i). It has been advised to submit a list of balances for balances of more than 2 years and action has been taken accordingly.	Details of the deposit balance should be submitted to the audit either by deposit register or by a list of individual balances.

2. Financial Review

2.1 Management of Imprests

Audit Observation	Comment of the Accounting Officer	Recommendation
The total amount of Rs. 2,908,690 due to the Treasury as at 31 December 2020 as per the payments and receipts for the imprests transfer of 03 bank accounts related to the Fisheries Harbour, Anchorages Development Project and the Lagoon Development Project had been transferred to the Bank Account of the Harbour Development Project without remittance to the Treasury by the State Ministry.	It does not agree with the observations and the imprest issued by the Ministry as at 31st December has been duly settled.	The balance at the end of the year should be remitted to the Treasury without issuing checks.

2.2 Management of Expenditure

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) An amount of Rs. 7,773,000 allocated to the National Aquatic Resources Research and Development Agency (NARA) for capital expenditure on a specific activity under the research and development activity was used to transfer for incurring the capital expenditure of the institution. It was observed that the utilization of funds for research activities was low as compared to other development projects as the utilization of funds for research activities of the agency was 64.5 percent.	Savings about 3.4% of the allocation made for the National Aquatic Resources Research and Development Agency was made due to the failure to carry out research as expected due to the Covid 19 epidemic. Therefore, a transfer of funds has been made with the approval of the Director General of the National Budget for the essential functions of the National Aquaculture Development Authority of Sri Lanka.	Funds allocated for research activities should be utilized for that purpose.
(b) A total savings of the provision of Rs. 2,750,000 was fully made as Rs.1,580,000 for 07 recurrent expenditure subjects and Rs. 1,170,000 for 04 capital expenditure subjects.	The situation had arisen due to Covid 19 epidemic situation, existence of the vacancy, the expense incurred by the Ministry of Fisheries.	Excessive provisions should not be made in the preparation of estimates.

2.3 Incurring of Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the liability list submitted by the institute, the liabilities and commitments amount of Rs.15,006,102 had been made by exceeding of savings amount of Rs.95,000 and further liability of Rs.756,067 had been incurred on behalf of the annual provision made not available vote object no. 151-2-3-71-2506.	No. 151-2-3-71-2506 stating that this is not a relevant Head of Expenditure of the Ministry and that these liabilities are for projects which have not yet commenced work.	Expenditure should be borne within the amount allocated for each subject and no liabilities should be incurred for non-relevant expenditure.

2.4 Certification of Chief Accounting Officer

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the State Ministry, 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.</p>	<p>Due to the lack of adequate staff for the year 2020, it was difficult to implement a formal internal control system. However, a formal administrative system is being implemented at present and it will be reviewed and copies will be submitted to the Auditor General.</p>	<p>Action should be taken in accordance with Provisions in Section 38 of the National Audit Act No.19 of 2018.</p>

3. Operating Review

3.1 Non- performance of Functions

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Out of the Rs. 1,049,700,000 treasury receipts received by the State Ministry from September to December 2020, Rs. 1,034,400,000 or 98.5 percent had been distributed to two government institutions and two projects. Although this State Ministry had been established to perform 8 specific priorities activities, Only investments were made in projects that had been running for years without considering it.</p>	<p>Most of the specific priorities identified under the State Ministry by the Extraordinary Gazette Notification No. 09.08.2020 were covered by the activities of the two relevant projects and the Aquaculture Development Authority and NARA.</p>	<p>Development projects should be implemented with a focus on specific priorities.</p>

3.2 Delays in the Execution of Projects

Audit Observation

The Vellamankara Fisheries Harbour project, which is scheduled to be completed in December 2020, had a financial progress of Rs.1,720,100,000 or 70 percent as at 31 December 2020 and the physical progress was not satisfactory.

Comment of the Accounting Officer

The development project, which is scheduled to be completed by the end of 2020, was delayed due to the outbreak of the Covid 19 epidemic from March to May 2020, the implementation of curfews, curfews and isolation.

Recommendation

Action should be taken to complete the project as planned.

3.3 Management Weaknesses

The following observations are made.

Audit Observation

(a) Although Rs.260,097,285 equivalent to 97% of the allocations made to the State Ministry has been spent on five development projects of the National Aquaculture Development Authority (NAQDA), the Ministry has not carried out a follow up inspection on the utilization of those funds.

Comment of the Accounting Officer

The Ministry was newly established in August 2020 and I personally supervised as much as possible the functions of the institutions mentioned in the inquiry as the required staff had not been completed within that period and there were not enough officers to carry out all the monitoring activities.

Recommendation

Information on the use of funds spent on projects should be obtained and monitored.

(b) In addition to the above provisions, Rs. 203,973,000 had been provided to the National Aquaculture Development Authority under the development capital allocations during the year under review, but according to the progress report submitted, only Rs. 196,200,000 had been spent on 29 projects under these provisions. No file was maintained to obtain information on the activities carried out and the beneficiaries and no follow-up was observed as to whether the funds had been used for development purposes.

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The funds spent on the projects should be used for the relevant activities and the details of the beneficiaries and the progress should be obtained and followed up.