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AUDITOR GENERAL'S REPORT

TO THE MINISTRY OF FISHERIES, MARINE RESOURCES AND AGRICULTURE ON THE FINANCIAL STATEMENT OF SUSTAINABLE FISHERIES RESOURCES DEVELOPMENT PROJECT

Opinion

We have audited the Project's financial statement of Sustainable Fisheries Resources Development Project financed by the World Bank/International Development Association (IDA). This financial statement comprises of the Statement of Receipts and Payments for the financial year ended 31 December 2019 and notes to the financial statement, which includes a summary of significant accounting policies and other explanatory information set out in pages 5 to 10.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the cash receipts and cash payments for the financial period ended 31 December 2019 and cash balances as at the then ended period in accordance with International Public Sector Accounting Standard: *Financial Reporting under the Cash Basis of Accounting*.

In addition, we can provide assurance that:

- (a) The funds provided under the Grant have been utilised for the purposes for which they were provided;
- (b) The Special Account transactions and its balance as at 31st December 2019 have been presented truly and fairly on the financial statement, in accordance with International Public Sector Accounting Standard: *Financial Reporting under the Cash-Basis of Accounting*, and the cash balance as at 31st December 2019 shown on the Statement of Receipts and Payments reflects the cash balance which is reconciled to that of the Special Account;
- (c) The Financial Monitoring Reports furnished to the World Bank could be fairly relied upon to support the applications for withdrawals in accordance with the requirements specified in the Grant Agreement; and adequate supporting documentation have been maintained to support claims made to the IDA, for reimbursement of expenditures incurred and which expenditures are eligible for financing under the Grant Agreement, and
- (d) The Procurement guidelines of the World Bank have been complied with in the procurement of goods and services under the project.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the management and those charged with governance for the financial statements

The Management is responsible for the preparation and fair presentation of this financial statement in accordance with the International Public Sector Accounting Standard (IPSAS): Financial Reporting under the Cash Basis of Accounting. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Those charged with governance of the project is responsible for overseeing the Project's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

We communicate with those charged with governance of the project regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Review of the Project's Progress

Without qualifying our opinion, we draw attention to the following management issues observed from our review of the project's progress.

From our review of the project's progress, we have observed that some of the activities were not delivered by the target date agreed with the World Bank. The table under **Management response** shows the actions agreed and the current status.

Implication

Failure to act upon the recommendations by World Bank will result in delay in achieving the objectives of the project in due time and have a negative impact on the performance of the project.

Recommendation

We recommend PMU to follow the recommendations given by World Bank's missions in a timely manner to ensure that various components of the project are implemented within the set time and budget.

Management Response

#	Action	Responsible	Target Date	Reason for delay
1	Development of a Stakeholder Consultation Plan	PMU	31 March 2019	As of now, the draft exists, and stakeholder consultations go forward according to every activity. However, the document has still not been validated by the World Bank
2	Immediate buying of sea cucumbers from the MeDEP farms where communities are unwilling to continue; and installation of appropriate pens at and around Maniyafushi.	MoFMRA, MRDF, PMU	31 August 2019	Delayed due to COVID-19 outbreak. A stakeholder consultation was arranged with beneficiaries in March 2020. However, the Island Councils advised the project to postpone due to COVID-19. Announcement to procure high density polythene plastic nets required for the sea cucumber pens was published on Gazette on 11th March 2020.
3	Develop structure and architecture of the Overall Monitoring and Evaluation system that should cater to the needs of the MoFA in addition to the Project	M&E Specialist/PMU with World Bank	31 May 2018	Not completed (The documents requested by the World Bank has been shared with the World Bank)
4	As needed, additional staff will be hired in the Compliance Division of the MoFMRA and the MMRI, to relieve the Component Coordinators of a part of their current workload that can be delegated.	MoFMRA	30 Sep 2019	Recruitment of a Compliance Officer for Compliance Division and a Program Assistant for the Mariculture Component is ongoing. Applications were received for the Program Assistant for Mariculture Component on March 19th 2020. The interviews were conducted on 4th June 2020.



				Announcement was published to recruit a Compliance Officer 4 times. No applications were received.
5	Create the back-end software; and install the M&E System in MoFA Portal for real-time or near real-time M&E	PMU with Compliance Division of MoFA	December 2019	Not started. Should be completed by March 2020.
6	Immediate signing of agreement with Partner Households in the selected islands for grouper mariculture	MRDF, PMU	August 31, 2019	Contracts signed with 19 beneficiaries on 12th January 2020 and 1000 fingerlings provided to 7 beneficiaries of Mahibadhoo. Fingerlings provided to 4 beneficiaries of Omadhoo. On June 1st 2020, 1000 fingerlings provided to 3 beneficiaries and 500 fingerlings were provided to 1 beneficiary. There was a delay in providing the fingerlings to Omadhoo due to COVID-19.

29 June 2020



Hassan Ziyath
Auditor General





Sustainable Fisheries Resources Development Project (P157801)
Grant No: D1750

FINANCIAL STATEMENT REPORT
2019

Project Management Unit
Ministry of Fisheries, Marine Resources and Agriculture,
Republic of Maldives.

MINISTRY OF FISHERIES, MARINE RESOURCES AND AGRICULTURE
SUSTAINABLE FISHERIES RESOURCES DEVELOPMENT PROJECT

STATEMENT OF RECEIPTS AND PAYMENTS

FOR THE PERIOD 1 JANUARY 2019 TO 31 DECEMBER 2019

	Note	2019 USD	2018 USD
Receipts			
Disbursements/Receipts	3	3,500,000	-
Receipts – Retroactive financing	3	-	-
Total Receipts		3,500,000	-
Payments			
Improvement of Institutional Capacity in Marine Fisheries Management	4	(660,654)	(191,736)
Support to Mariculture and Diversification of Fisheries sector	5	(1,957,692)	(270,400)
Project Management, Monitoring and Evaluation	6	(234,731)	(213,951)
Total Payments		(2,853,077)	(676,087)
Increase/(Decrease) in Cash		646,923	(676,087)
Cash at beginning of the period		3,123,821	3,799,908
Increase/(Decrease) in Cash		646,923	(676,087)
Cash at bank		3,770,744	3,123,821
Cash in hand		512	693
Cash at end of the period		3,771,256	3,124,514

Management of the Project is responsible for the preparation and presentation of the financial statement.

The Statement of Receipts and Payments was approved by PMU on 29th June 2020.

Signed for and on behalf of the Project:


 Ms. Eenas Naseer
 Assistant Director


 Ms. Fathimath Azma
 Finance Manager

The accounting policies and notes on pages 6 through 10 form an integral part of the Statement of Receipts and Payments.



MINISTRY OF FISHERIES, MARINE RESOURCES AND AGRICULTURE
SUSTAINABLE FISHERIES RESOURCES DEVELOPMENT PROJECT

NOTES TO THE FINANCIAL STATEMENTS

1. PROJECT INFORMATION

1.1 PROJECT TITLE: Sustainable Fisheries Resources Development Project

1.2 STARTED DATE: 17-04-2017

1.3 CLOSING DATE: 31-12-2022

1.4 PROJECT DURATION: 60 Months

1.5 APPROVED BUDGET: US\$ 18,000,000 (Eighteen Million U.S. Dollars)

1.6 FUNDED BY: Regional International Development Association Grant & International Development Association Grant

1.7 TRUST FUND MANAGER: World Bank

1.8 Objective

The objective of the project is to improve management of fisheries at regional and national levels including support to establish mariculture in targeted atolls in Maldives

The project comprises of three main components;

Component A: Augmentation of Institutional Capacity for Marine Fisheries Management (US\$ 5.09 million)

The objective of this component is to enhance the Government's capacity to implement a more effective monitoring of the fisheries sector and internal control system of key marine fisheries value chains and will focus on delivery of the Indian Ocean Regional Agenda. This includes four sub-components.

(A1) Development of key fisheries management and planning instruments;

To update the fisheries policy and legislative framework, zoning the entire Maldivian EEZ, and supporting grouper fish management, coral reef and reef fishery management plans which are essential for regional conservation and improved compliance with IOTC recommended conservation and management measures.

(A2) Development and Implementation of fisheries management activities;

To ensure compliance with IOTC and EU requirements, including expanded MCS, vessel registration and monitoring systems, electronic observer systems and augmentation of related reporting systems for commercial marine fisheries; collaboration with the SWIO Sub-Regional Fisheries Monitoring Centers; and, support and facilitation to regional agencies and international actors on the common agenda of conservation and management measures.



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MINISTRY OF FISHERIES, MARINE RESOURCES AND AGRICULTURE
SUSTAINABLE FISHERIES RESOURCES DEVELOPMENT PROJECT

(A3) Support to long-term program for fisheries management;

It includes sampling programs for tuna and recreational fish species, stock assessments and conservation zone surveys which will contribute to regional assessments and subsequent actions; the preparation of protocols for disease surveillance and quality control of brood stocks and fish feed.

(A4) Fisheries sector capacity building

Including short and medium-term training, development of curriculum and teaching aids, collaboration with National Geographic Information System (GIS), and development and operation of a fisheries management information system- all focusing on strengthening local and national skills that will contribute to the national and SWIO Region agenda related to fishery management and consequent diversification into mariculture.

Component B: Support to Mariculture and Diversification of Fisheries (US\$10.76 million)

Potential economic growth from diversification of capture fishery and from mariculture are pre-requisites for sustenance of the capture fishery resources in the Maldivian EEZ. However, mariculture is nascent in Maldives; to be able to develop this sector, research, demonstration and provision of extension services will play key roles in addition to the three primary inputs: seeds, feed and access to finance. The four sub-components include:

(B1) Development and demonstration of mariculture production and technology package;

Including completion and operationalization of the infrastructure, and preparation of medium-term operations plans and service standards for the Maniyafushi research and development facility (MRDF) as a centre for the excellence for the entire SWIO region; development and demonstration of technology packages for mariculture species; and market studies in support of mariculture choices.

(B2) Promotion of mariculture out-grower schemes and seafood growth clusters;

Including assessments of carrying capacity and of supporting community custodianship of the coral reef resources, start-up investments including training, advisory support and compliance monitoring in outgrower farms, technical support to small enterprises for establishing out-grower contractual arrangements between small producers and larger private sector aggregators, and studies to help develop gender actions in mariculture.

(B3) Supporting design, construction and operation of a multi-species hatchery;

Including breeder stock development programs and professional training plans

(B4) Scoping of long-term marine fisheries diversification studies;

Including planning and scoping of studies related to technology packages and conservation plans for new marine species to be explored in future.

Component C: Project Management, Monitoring and Evaluation (US\$2.15 million)

The objective of this component is to provide equipment, technical assistance, training, and incremental operating cost to strengthen the overall administrative capacity and capability of the Ministry of Fisheries and Agriculture and its Project Management Unit(PMU) to manage, implement, and monitor and evaluate project



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MINISTRY OF FISHERIES, MARINE RESOURCES AND AGRICULTURE
SUSTAINABLE FISHERIES RESOURCES DEVELOPMENT PROJECT

activities. Specifically, support will include staffing and operation of the PMU, establishment of adequate financial management and procurement management systems, implementation of the communication plan and grievance redress activities, monitoring and evaluation (M&E) and third party audits; preparation and implementation of specific environment impact assessments as per the national laws; coordination with other ministries such as the Ministry of Environment and Energy and the private sector; special evaluation studies; and sharing of monitoring protocols, evaluation studies and specific experience of implementation of various aspects of fisheries management that are of interest to SWIO Region countries.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 2.1 Basis of preparation

The Statement of Receipts and Payments are prepared in accordance with International Public Sector Accounting Standard: *Financial Reporting under the Cash-Basis of Accounting*.

2.2 Recognition of Receipts and Payments

Receipts and payments are accounted for on cash basis. Receipts are recognised when the Government of Maldives (GOM) receives the funds from World Bank. Payments are recognised at the time of outflow of cash from the bank account.

2.3 Presentation Currency

The Statement of Receipts and Payments has been presented using the United States Dollars (USD). All figures have been rounded to the nearest Dollar.

2.4 Foreign Currency Translation

Receipts and payments in currencies other than the reporting currency (USD) are converted at the MMA's exchange rate existing between the transaction currency and USD at the time of the receipt/payment. Cash balances in currencies other than USD as at the end of the reporting period are shown in the financial statement at the exchange rate that was prevailing at the last day of the reporting period.

2.5 Reporting Period

Financial statement is generally prepared for one year (Calendar year) with the exception of commencement and/or closure of the project. Depending on the date of commencement or closure, a period shorter or longer than one year may be covered. Period for which financial statement is prepared is disclosed on the face of financial statement.

2.6 Comparatives

In addition to the figures for the year ending 31 December 2019, the Financial Statement shows the figures for the period 1 January 2018 to 31 December 2018 as well.



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SUSTAINABLE FISHERIES RESOURCES DEVELOPMENT PROJECT

3. Disbursements/Receipts

	2019	2018
	USD	USD
Receipts from World Bank	3,500,00	-
	3,500.00	-

4. Component A: Improvement of Institutional Capacity in Marine Fisheries Management

	2019	2018
	USD	USD
A1 Development of Key Fisheries Management and Planning Instruments	30,225	12,427
A2 Development and Implementation of Fisheries Management Activities (including MCS) at Regional and National Level	461,066	65,716
A3 Support to Long Term National Fisheries Management	168,364	113,594
A4 Fisheries Sector Capacity Building	1,000	-
Total Expenditure from Component A	660,654	191,736

5. Component B: Support to Mariculture and Diversification of Fisheries Sector

	2019	2018
	USD	USD
B1 Develop and Demonstrate Mariculture Production and Technology Packages	921,869	270,400
B2 Promotion of Mariculture Out-grower Schemes and Seafood Growth Poles/Clusters	298,592	-
B3 Support Value-chain Enhancement	731,232	-
B4 Develop and Demonstrate Fishery Production and Technology Packages	-	-
Total Expenditure from Component B	1,957,692	270,400

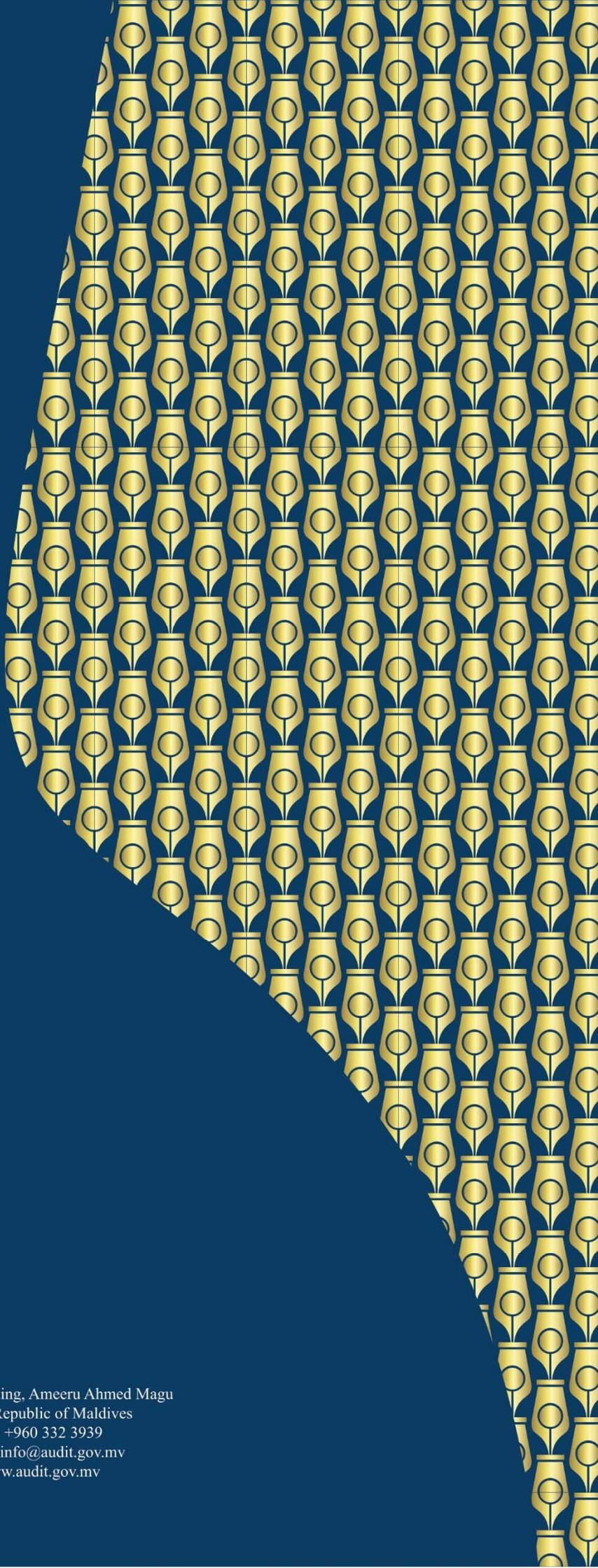
6. Component C: Project Management, monitoring and evaluation

	2019	2018
	USD	USD
C1 PMU HR (Staff and consultants)	140,840	166,147
C2 Equipment	2,197	824
C3 Fiduciary and Technical Capacity Building	15	1,101
C4 Monitoring & Evaluation	8,026	4,851
C5 Training and Capacity Building on Project/Program Management	57,029	17,872
C6 Incremental Operating Cost (including Expenditure to Strengthen Technical and Managerial Capacities of MoFA)	26,624	23,156
Total Expenditure from Component C	234,731	213,951



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Ghaazee Building, Ameeru Ahmed Magu
Male', Republic of Maldives
Tel: +960 332 3939
Email: info@audit.gov.mv
www.audit.gov.mv