



Report No: FIN-2024-58(E)

9th May 2024

LIVELIHOOD ENHANCEMENT OF SMALL SCALE FARMERS IN SAARC REGION THROUGH SMALL SCALE AGRO-BUSINESS FOCUSING ON VALUE CHAIN DEVELOPMENT PROJECT

MINISTRY OF FISHERIES, MARINE RESOURCES AND AGRICULTURE

FINANCIAL YEAR 2023



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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE MINISTRY OF FISHERIES, MARINE RESOURCES AND AGRICULTURE ON THE FINANCIAL STATEMENT OF LIVELIHOOD ENHANCEMENT OF SMALL- SCALE FARMERS IN SAARC REGION THROUGH SMALL SCALE AGRO-BUSINESS FOCUSING ON VALUE CHAIN DEVELOPMENT PROJECT

Opinion

We have audited the Project's financial statement of the Livelihood Enhancement of Small-Scale Farmers in SAARC Region Through Small Scale AGRO-business Focusing on Value Chain Development Project financed by the SAARC Development Fund (SDF). This financial statement comprises of the Statement of Receipts and Payments for the period 21 June 2022 to 21 June 2023 and notes to the financial statement, which includes a summary of significant accounting policies and other explanatory information set out in pages 6 to 8.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the cash receipts and cash payments for the period 21 June 2022 to 21 June 2023 and cash balances as at the period then ended, 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) Procurement of goods, works and services financed by the financing were carried out in accordance with the provisions of the Maldives Public Finance Regulation which is adopted as Procurement Guideline.

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 Management in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (IESBA Code). 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.



The project has encountered significant delays due to the inability of the Implementing Agency (IA) to secure a building for the establishment of the AGRO Processing facility. This setback has resulted in the suspension of equipment procurement and supply, as the IA aims to prevent the degradation of machinery that would otherwise remain idle. Initially, the IA had plans to acquire and renovate an existing building during the project's formulation stage. However, during the implementation phase, the IA faced challenges in acquiring or constructing a building due to budgetary constraints that did not account for new construction costs. Additionally, the COVID-19 pandemic has further exacerbated the delay, impacting the overall timeline of the project.

To date, the IA has received two disbursements totalling USD 109,275. These funds have been allocated towards conducting baseline surveys, organizing inception meetings with stakeholders, identifying and assessing suitable technologies, and facilitating training programs. The expenditure indicates a focus on preparatory and foundational activities, which are critical for the project's eventual operational phase. Nevertheless, the projects' main tasks have not yet been started.

Implication

Delays in carrying out project activities will cause a delay in meeting the project's objectives on time and have a negative impact on the project's overall performance. This will also result in a failure to meet the project development objectives by the project's end date.

Recommendation

1. Building Acquisition: The primary challenge lies in the acquisition of a suitable building. It is recommended that the IA explores alternative options such as leasing a facility or partnering with local entities that may have available space.
2. Budget Reassessment: Given the unforeseen requirement for construction, a thorough budget reassessment is advised to reallocate funds or seek additional financing to cover the construction of a new building.
4. Equipment Procurement Strategy: To avoid future idle equipment, a revised procurement strategy should be developed that aligns equipment arrival with facility readiness.

Management Response

Table 1: Status of Activities as of June 2023

#	Indicative activities	Responsible Agency Deadline (as per the agreement)	Deadline (Revised annual work plan 2 for 2022)	Revised deadline (revised annual work plan 3 for 2023)	Status	Management response
1	Baseline survey	Q2 2019			100% Completed Q1 2021	
2	Inception meeting with stakeholders	Q4 2019			100% Completed Q2 2022	
3	Identification and assessment of appropriate technologies	Q3 2019			100% Completed Q2 2022	



#	Indicative activities	Responsible Agency Deadline (as per the agreement)	Deadline (Revised annual work plan 2 for 2022)	Revised deadline (revised annual work plan 3 for 2023)	Status	Management response
4	Procurement and supply of machineries/ equipment and other inputs	Q4 2019	Q2 2022	Q2 2023	Not completed	Procurement and supply of machineries have been kept on hold as the processing facility is yet to be constructed, and therefore, IA did not want machineries to be idle, without use.
5	Construction of agro-processing facility and installation of equipment	Q1 2020	Q2 2022	Q2 2023	Not completed	For IA, a large portion of costs in this project accounts for the construction of the processing facility. During the project formulation stage, IA anticipated getting a building for renovation and transforming it into a processing facility, but during the implementation stage, we were not able to get such a building. Since the construction costs are high in the Maldives, IA does not have sufficient funds to construct two processing facilities from the SDF allocated budget.
6	Hiring trainer/expert to enhance capacity of farmers	Q1 2020	Q2 2022	Q2 2023	Not completed	IA had not requested this fund, as the processing facility is yet to be constructed. .
7	Training on commercial production and post-harvest handling	Q1 2020	Q4 2022	Q4 2023	Not completed	This activity has been kept on hold as the processing facility is yet to be constructed. .
8	Training on managerial and financial skills to members for group formation	Q1 2020	Q2 2022	Q2 2023	100% Completed Q3 2023	
9	Awareness and training on norms regarding membership in groups and group operations	Q2 2020	Q2 2022	Q2 2023	100% Completed Q3 2023	
10	Registering FPOs	Q2 2020	Q3 2022	Q3 2023	Not completed	This activity was not completed during that period as it was the presidential election period and the activity involved community engagement.
11	Exposure visit to agro processing units/ business facilities established under the project	Q3 2020	Q3 2022	Q3 2023	Not completed	IA had not requested this fund, as the processing facility is yet to be constructed.
12	Linkage development for support farmers and other in access to financial resources	Q1 2020	Q3 2022	Q3 2023	Not completed	This activity can only be commenced after the processing operation starts.
13	Entrepreneurship training on agribusiness to establish and manage agribusiness units	Q2 2020	Q2 2022	Q2 2023	Not completed	IA had not requested this fund, as the processing facility is yet to be constructed.
14	Initiating the value addition activities with better quality and fine-tuning the production processes	Q4 2020	Q3 2022	Q3 2023	Not completed	IA has not requested this fund, as this activity can only commence after the processing operation starts.
15	Arrange meeting/workshops/training between producers and	Q4 2020	Q3 2022	Q3 2023	Not completed	IA has not requested this fund, as this activity can only commence after the processing operation starts.



#	Indicative activities	Responsible Agency Deadline (as per the agreement)	Deadline (Revised annual work plan 2 for 2022)	Revised deadline (revised annual work plan 3 for 2023)	Status	Management response
	market traders for developing market linkage					
16	Training on awareness related to improved post-harvest and processing technologies for farmers and others	Q1 2021	Q4 2022	Q4 2023	Not completed	This activity can only be commenced after the processing operation starts.
17	Monitoring and evaluation	Q2 2019- Q2 2021	Q1 - Q4 2022	Q1 - Q4 2023	Not completed	IA had not requested for these funds as there is no work in progress to be monitored in the project islands.

9th May 2024



Hussain Niyazy
Auditor General

MINISTRY OF FISHERIES, MARINE RESOURCES AND AGRICULTURE

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STATEMENT OF RECEIPTS AND PAYMENTS

FOR THE PERIOD 21 JUNE 2022 TO 21 JUNE 2023

	Note	For the period 1 January 2021 to 31 Dec 2021 USD	For the period 1 January 2022 to 21 June 2022 USD	For the period 21 June 2022 to 21 June 2023 USD	Cumulative USD
Balance B/F		12,133	5,310	2,913	
SAARC Development Fund					
Initial Deposit	3				
Government Funds					
Other Donors					
Other Receipts					
Total Financing		12,133	5,310	2,913	
Project Expenditures by Category					
221 Travelling Expenses	4		1,675		1,675
222 Administrative Supplies	5		39		39
223 Administrative Services	6	6,823	568	116	7,507
Total Project Expenditure		6,823	2,282	116	9,221
Balance C/D		5,310	3,028	2,797	

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

The Statement of Receipts and Payments was approved by the Ministry of Fisheries, Marine Resources and Agriculture on 30th June 2023

Signed for and on behalf of the Project:



Ms. Eenas Naseer
Director/Finance Executive



Dr. Aminath Shafia
Permanent Secretary

The accounting policies and notes on pages 7 through 8 form an integral part of the Statement of Receipts and Payments.



MINISTRY OF FISHERIES, MARINE RESOURCES AND AGRICULTURE

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NOTES TO THE FINANCIAL STATEMENTS

1. PROJECT INFORMATION

This statement of receipts and disbursements relates to the Livelihood Enhancement of the Rural Poor in SAARC. A project financing agreement was entered between Ministry of Fisheries, Marine Resources and Agriculture and The SAARC Development fund on 29th November 2019. The objective of the programme is to develop value chain of small scale agro-business in the Maldives

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 SAARC Development Fund. Payments are recognised when the payments are posted to the SAP Software.

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. Assets and liabilities 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. For the purpose of this financial statement the period covered is from 21 June 2022 to 21 June 2023 which is disclosed on the face of financial statement



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3. Disbursements/Receipts

	1 January 2021 to 31 Dec 2021 USD	1 January 2022 to 21 June 2022 USD	21 June 2022 to 21 June 2023 USD
Initial Deposit from SDF	-	-	-
	-	-	-

4. Travelling Expenses

	1 January 2021 to 31 Dec 2021 USD	1 January 2022 to 21 June 2022 USD	21 June 2022 to 21 June 2023 USD
221001 Travelling Expenses- Local Sea Travel	-	1,032	-
221003 Travelling Expenses- Local Air Travel	-	643	-
	-	1,675	-

5. Administrative Supplies

	1 January 2021 to 31 Dec 2021 USD	1 January 2022 to 21 June 2022 USD	21 June 2022 to 21 June 2023 USD
222001 Stationery and Office Requisites	-	38	-
	-	38	-

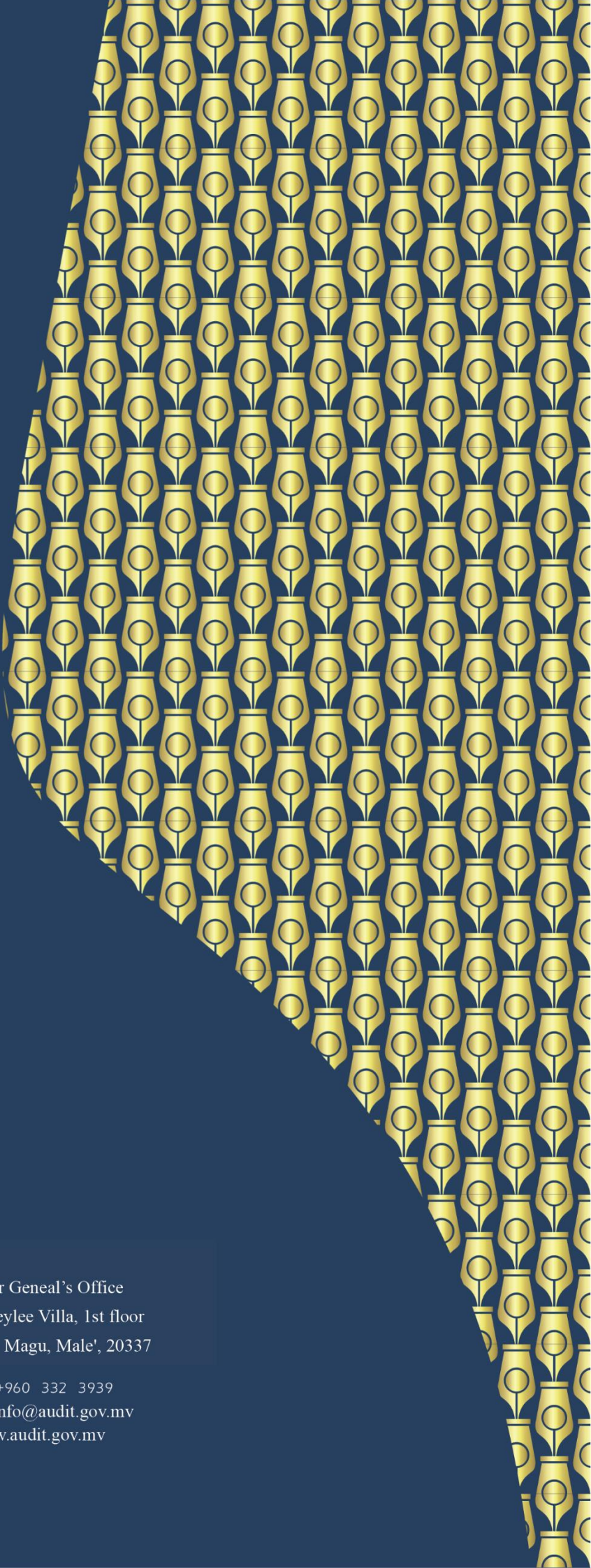
6. Administrative Services

	1 January 2021 to 31 Dec 2021 USD	1 January 2022 to 21 June 2022 USD	21 June 2022 to 21 June 2023 USD
223014 Social Development Programmes	6,822	568	116
	6,822	568	116

7. Payables

	Amount USD
Payables	-
	-





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