

## **Costal Protection Reward Fund – 2019**

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### **1.1 Unqualified Opinion**

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The audit of the financial statements of the Costal Protection Fund for the year ended 31 December 2019 comprising the statement of balance sheet as at 31 December 2019 and the statement of income and expenditure and notes to the financial statements, was carried out under my direction in pursuance of provisions in Article 154(6) 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. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance for the year then ended in accordance with Accounting Principles.

### **1.2 Basis for Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with generally excepted principles and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Fund financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund

## 1.4 Audit Scope (Auditor's Responsibility of Financial Statement)

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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 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, 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 Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation

of information to enable a continuous evaluation of the activities of the Fund and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

**1.5 Financial Statements**  
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**1.5.1 Internal Control over the preparation of financial statements.**  
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Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

**1.6 Accounts Receivable and Payable**  
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**1.6.1 Receivables**  
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Audit Issue	Management Comment	Recommendation
----- Though all penalty money charged from offenders have to be added to this Fund, they have not taken steps to charge penalty money Rs.702, 500 which was not collected from year 2012 to year 2017.	----- This department was informed about the name registry by the police but the registrars belong to several courts who have not send penalty money to this department, management have made them aware to settle those. Because of normally the penalty money is Credited into the relevant Provincial Council so most of the penalty money was sent by the court to provincial Council.	----- It’s a need to collect the money that won’t to be taken as soon as possible.

## 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
According to the 2 <sup>nd</sup> paragraph on the Extraordinary Gazette, the money that crediting into the Fund have been allocated 40 percent for consolidated fund, 50 percent for the rewards, 5 percent for welfare and another 5 percent for administrative expenditure. Apart from that for the payments belongs to rewards should won't to be done.	Name registers belong to the amount of Rs 975,000 charges which was under 16 court cases were enclosed by weligama police station has supplied for the year of 2014, 2015 and 2016 by the magistrate court to the department had been take more than one year to collect the registration form from the police and pay rewards.	If this department received all name registry then only the payments can be paid for 50 percentages. If the name registry had not been sent by the police, the payments had not been paid; even there is enough money in the reward.	To work according to the gazette announcement for that relevant name registry and money won't to be gained.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.1,022,500 and the corresponding surplus in the preceding year amounted to Rs.1, 143,041. Therefore a deterioration amounting to Rs.120,541 of the financial result was observed. The reason for the deterioration is increased the reward payment by Rs. 620,000.