

Fisheries Reward Fund - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Fisheries Reward Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(3) 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, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the fund as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.5 of this report.

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 qualified opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, 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 stability 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the fund's financial reporting process.

As per Sub 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 Auditor's Responsibility 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 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 fund'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 fund'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 fund 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, 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 Audit Observations on the preparation of Financial Statements

1.5.1 Documentary Evidences not made available for Audit

	.Item	Amount	Evidence not Available	Management Comment	Recommendation
		Rs.			
(a)	Allowances payable to officers who contributed to raids	1,658,092	Schedules	That steps have already been taken to identify the relevant officers.	Detailed schedules of allowances payable to officers who contributed to raids should be prepared.
(b)	Goods and equipment seized by 15 District Fisheries Offices till the year under review		Lists of seized items and equipment	That the files of the completed cases and confiscated goods are obtained from the district offices and maintained in the investigation department.	Must be consistent with the existing system.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Management Comment	Recommendation
The recovery of arrears was in a weak position as Rs. 211,200 was collected from the receivable income only in relation to the previous year out of the receivable fish sales income from the year 2013 to the year 2020 was Rs. 2,526,585 as at 31 December 2021.	Proceeds are being taken to collect Rs.2,143,095 fish sales revenue due.	Action should be taken to bring down the revenue due expeditiously.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Section 59(2) of the Fisheries and Aquatic Resources Act No. 2 of 1996	(i) Although the Director General is responsible for the administration of the reward fund, the Action Plans prepared by the Department of Fisheries and Aquatic Resources from 2018 to 2021 did not identify and effectively fulfill the functions of the reward fund.	As it is difficult to draw preliminary conclusions about some confiscation cases, it cannot be included in the action plans for the reward fund.	The activities of the reward fund should be identified and necessary plans should be prepared and implemented for effective performance.
	(ii) Although the reward money should be given to the officials who participated in the raids without delay, 271, 348, 488, 427, 327, 604, 536 and 692 cases were done in the years 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021 respectively, no reward money was paid in the years 2014, 2017, 2018 and 2020 and the amount of compensation paid in relation to 08 cases was only Rs. 179,985 in the year 2021, so the compensation to	That the district assistant directors have been informed about the receipt of fishing prizes since 2013.	An expeditious system should be developed for payment of allowances.

be paid on 31 December 2021 was Rs.1,658,092. Thus, it was observed that due to the lack of a quick system for giving reward money to the officials, the officials are not encouraged to raid the illegal fishing activities.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 197,872 and the corresponding surplus in the preceding year amounted to Rs. 798,616. Therefore a deterioration amounting to Rs. 600,744 of the financial result was observed. The reason for the deterioration is mainly a decrease by Rs.1,248,177 in received income from the sale of confiscated goods.

3. Operational Review

3.2 Management Inefficiencies

Audit Observation -----	Management Comment -----	Recommendation -----
<p>(a) Out of the cash balance of Rs. 8,970,439 held at the end of the year under review represents the payable amount to the rewards recipients and the Government contribution, only Rs. 1,658,092 was shown in the financial statements as payable allowances. Accordingly, no action had been taken to identify the recipients of the remaining amount of Rs. 7,312,347 and the relevant government revenue</p>	<p>That we will work to identify and settle in the future.</p>	<p>According to the documents of the participants in the raids, if there are unidentifiable balances for the rewards, arrangements should be made to take them to the government revenue.</p>
<p>(b) In order to be able to obtain information from the reward fund and to be able to deal with it transparently, there was no register containing information such as the name, position, case number, payment voucher number, signatures of the payees, etc. of the officers who participated in the raids.</p>	<p>It was advised to maintain information about spies who provide information during future raids and that an information register will be maintained from the year 2021.</p>	<p>Documentation should be done in such a way that officials can be identified.</p>

- (c) In the year 2021, 692 cases were filed through all district fisheries offices. Though the cash from the sale of confiscated goods from only 3 District Fisheries Offices were credited to the Reward Fund, the management did not pay attention to the fact that none of the other District Fishery Offices had received income to the reward fund.
- That there are more cases that are ended only by imposing fines by the courts and that the fines are not credited to the fisheries reward fund.
- The management should pay attention to the non-receipt of revenue to the reward fund from the district fisheries offices.
- (d) Information about the raids planned for the District Fisheries Offices was not submitted and according to the reports submitted by the Investigation Division of the Department of Fisheries and Aquatic Resources for the year under review, the progress of the inspection raids conducted in the year 2021 was ranged from 0 percent to 20 percent.
- In the year 2021, it was not possible to reach the desired goals due to the restrictions on movement between the provinces and the stopping of mass gatherings.
- Work should be done to achieve the desired goals.