

Fisheries Reward Fund - 2017

The audit of financial statements of the Fisheries Reward Fund for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes 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 Section 59(5) of Part Ten of the Fisheries and Aquatic Resources Act, No. 2 of 1996. My comments and observations in respect of the aforesaid financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the statement of financial position, statement of financial performance, statement of changes in equity and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Accounting Policies

No policy had been identified for accounting information on machinery and equipment which could be identified as assets of the Fund remaining in the custody of the courts and the Navy until the completion of legal proceedings after being taken into custody by 13 District Fishery Offices.

2.2.2 Accounting Deficiencies

Even though 427 cases had been filed in raids carried out in the year under review, the rewards to be awarded to officers who contributed therefor, had not been computed and brought to account.

2.2.3 Unexplained Differences

According to information made available to Audit, it had been mentioned that an income totalling Rs.636,009 had been received to the Fisheries Reward Fund for the year 2017 from sale of confiscated goods and fish. However, only a sum of Rs.344,465 had been shown in the financial statements for the year under review as income of the Fund. Thus indicating an unexplained difference of Rs.291,544.

2.2.4 Lack of Evidence for Audit

A certificate of balance for confirming the balance of Rs.3,305,947 shown as the cash balance in the statement of financial position as at the end of the year under review was not made available to Audit and the Director General of Fisheries and Aquatic Resources had informed the Audit that it was only a nominal account in which transactions were entered.

2.3 Accounts Receivable

The following observations are made.

- (a) Out of the income receivable from sale of fish amounting to Rs.1,540,073 shown in the financial statements of the year under review, a sum of Rs.1,327,598 or 86.2 per cent was the income receivable from sale of fish since before the year 2016. As only a sum of Rs.14,330 had been recovered in the year under review from the outstanding income for the year 2016, the recovery of outstanding income had been at a weak level.
- (b) Out of Rs.2,725,000 received on 20 June 2016 to the Reward Fund by sale of court productions of the Puttalam District, 25 per cent which is Rs.681,250 had been paid to the Consolidated Fund only on 12 December 2017.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Fund for the year under review had been a surplus of Rs.344,465 and the corresponding surplus as compared with the preceding year was Rs.1,253,095, thus indicating a decline of Rs.908,630 in the financial result of the year under review as compared with the preceding year. Even though a sum of Rs.3,468,750 had been paid to the officers who were involved in the raid in the year 2016, non-payment of such allowances in the year under review and the decrease in the income from sale of confiscated goods by Rs.4,377,380 had attributed to the above decline.

4. Operating Review

4.1 Performance

4.1.1 Planning

In terms of Section 59(2) of the Fisheries and Aquatic Resources Act, No.2 of 1996, the Director shall be responsible for the administration of the Reward Fund. However, plans had not been prepared in performing the functions by identifying the functions of the Reward Fund in the Action Plans prepared for the years 2016 and 2017 by the Department of Fisheries and Aquatic Resources.

4.1.2 Function and Review

According to the information furnished by the Legal Division, rewards to the officers who were involved in raids should be awarded without delay. Even though 271, 348, 488 and 427 cases had been filed respectively in the years 2014, 2015, 2016 and 2017, only 64 officers of the Puttalam District had been awarded rewards of Rs.3,826,125 for filing 05 cases in the years 2015 and 2016. No moneys whatsoever had been paid in the years 2014 and 2017. As no specific procedure had been formulated for awarding of rewards to officers, it was observed that no encouragement is extended towards officers in suppressing illegal fisheries.

4.2 Management Activities

The following observations are made.

- (a) In terms of Sub-section 59(4) of the Fisheries and Aquatic Resources Act, No.02 of 1996, it has been notified that a certain amount of money considered as proper by the Director from time to time should be paid from the Reward Fund to the officers and informants. However, no procedure had been arranged to award rewards to informants.

- (b) A sum of Rs.1,890,800 had been recovered as penalties from the accused in the year under review as well as confiscating fishery equipment by the courts through filing cases against persons engaged in illegal fisheries by the District Fisheries Offices. However, the matters of the Fisheries and Aquatic Resources Act had not been amended to obtain any percentage whatsoever of the penalties so recovered. As such, a portion of income from penalties could not be obtained by the Fisheries Reward Fund.
- (c) The raids carried out by the Department relating to illegal fisheries in the year 2017 could not be revealed due to non-maintenance of a Register of Information on Raids. Even though this situation had been informed by audit reports since the years 2015 and 2016, attention had not been paid therefor.
- (d) The Department had failed to obtain records in respect of cases filed by the Department against the persons engaged in illegal fisheries. Even though it had been informed thereon by the audit report for the year 2014, attention had not been paid therefor.

5. Accountability and Good Governance

5.1 Internal Audit

In terms of Financial Regulation 133 (i) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and the Management Audit Circular No. DMA/06 of 23 December 2011, the Internal Audit of the Department of Fisheries and Aquatic Resources should take action to participate in the system of internal control of the financial operations and performance of the Reward Fund and to prevent and detect errors and frauds. Nevertheless, an internal audit had not been carried out relating to the Rewards Fund since the year 2013.

6. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Director General of the Department of Fisheries and Aquatic Resources from time to time. Special attention is needed in respect of the following areas of controls.

Areas of Systems and Controls	Observations
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(a) Maintenance of Books	Non-maintenance of a Register of Information on revealing Raids carried out by the Department on Illegal Fisheries
(b) Awarding of Rewards to officers	Non-preparation of a necessary arrangement for expediting the awarding of rewards
(c) Financial Control	Weak level in the recovery of outstanding income