

Fisheries Reward Fund – 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Fisheries Reward Fund for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Section 59 (5) of the Fisheries and Aquatic Resources Act No. 2 of 1996 read in conjunction with provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka and in terms 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 accompanying financial statements give a true and fair view of the financial position of the fund as at 31 December 2020, 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

My opinion is qualified 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 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 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 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 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) Receivable Fish Sales Revenue | 2,354,295 | Schedules | That it was difficult to submit detailed schedules due to the inability to determine the recipients and the amount to be paid due to the Covid situation. | Detailed schedules on receivable fish sales revenue should be prepared. |
| (b) Payable Allowances for the officers who contributed to the raids | 1,244,460 | Schedules | That it was difficult to submit detailed schedules due to the inability to determine the recipients and the amount to be paid due to the Covid situation. | Detailed schedules on payable allowances for the officers who contributed to the raids should be prepared. |
| (c) Lack of formality in determining exactly how many cases are currently pending, how many cases are | - | Regularly updated reports | Detailed files on current cases are being maintained and monthly and quarterly summary reports are being prepared and the cases have | All information relevant to the cases and updated records should be maintained. |

inactive and information on receivables for the Reward Fund from completed cases.

to be reported as pending cases until the end of the active cases in the courts.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

| Audit Observation | Management Comment | Recommendation |
|---|--|---|
| The collection of arrears was in a weak position as no amount had been recovered during the year under review out of the outstanding income of Rs.1, 973,908 as at 01 January 2020. | An Age analysis of the receivables for the period from 2013-2020 has been submitted. | 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 |
|--|--|---|--|
| (a) Fisheries and Aquatic Resources Act No.02 of 1996. Section 49(5) | Reports on cases filed against those involved in illegal activities had not been obtained. | They were Constantly working to obtain reports on cases and it was impractical to obtain relevant reports from the courts. | Action should be taken to obtain the relevant case reports. |
| | Although the payment of the rewards money to the officers who participated in the raids should have been paid without delay, 3001 cases had been filed from 2014 to 2020 but no rewards money had been paid for the years 2014, 2017, 2018 and 2020. | Delays in the payment of rewards money due to delays in receiving case reports, and submitting vouchers, etc., and despite the delay in receiving the rewards money, there has been no setback for the officers as the number of raids has increased from year to year. | Rewards money should be given to the officers who participated in the raids without delay. |

- (b) Financial Regulations No. 133 (1) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Management Audit Circular No. DMA / 06 dated 23 December 2011.
- An internal audit of the Fund for the year 2020 had not been carried out in accordance with the circular provisions.
- Due to the Covid situation, the internal audit could not be carried out as expected and an internal audit will be conducted in 2021.
- An internal audit of the Fund should be implemented.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.798,616 and the corresponding surplus in the preceding year amounted to Rs. 4,986,601. Therefore a deterioration amounting to Rs. 4,187,985 of the financial result was observed. The reason for the deterioration is mainly a decrease in revenue from the sale of confiscated goods.

2.2 Trend Analysis of major Income and Expenditure items

| Trends in Income | 2020 | 2019 | Percentage | Observation |
|--|-----------|-----------|------------|---|
| | Rs. | Rs | % | |
| Income from the sale of confiscated goods | 2,039,667 | 9,534,248 | 78.6 | Although the increase in raids, sales of confiscated goods had been declined. |
| Payment of allowances to officers who contributed to raids | 1,241,051 | 4,547,648 | 72.7 | No action had been taken to obtain the case records pertaining to the completed cases and to pay the rewards. |

3. Operational Review

3.1 Management Inefficiencies

| Audit Observation | Management Comment | Recommendation |
|---|--|---|
| (a) Out of the cash balance of Rs. 8,612,255 held at the end of the year under review represents the payable amount to the rewards recipients and the Government contribution, only Rs. 1,244,460 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. 7,367,795 and the relevant government revenue. | Agreed. This situation has arisen due to the delay in preparing the reward lists due to the Covid situation and after completing the cases in 2021, the allowances related to the raids will be paid and the balance will be credited to the government revenue. | Action should be taken to identify the recipients of the claimed rewards and the relevant government revenue. |
| (b) During the year under review, 536 cases were filed through the Investigation Division and 15 District Fisheries Offices, but the cash from the sale of confiscated goods from only 3 District Fisheries Offices were credited to the Reward Fund. The management had not paid attention to the fact that any revenue had not received to the Reward Fund from the Investigation Division and any of the other District Fisheries Offices. | The Department of Justice was not responsible for the delays as it was out of its control. | Actions should be taken to maintain proper records of cases and to bring down the money. |
| (c) The Investigation Division of the Department and the 15 District Fisheries Offices did not provide information on the planned raids and the progress of the raids during the year under review could not be ascertained due to the submission of only the number of raids carried out. | Progress has been slow due to the inability to carry out raids as expected due to the Covid situation. | Information records such as the number of raids planned, the number of raids carried out, etc. should be maintained so that the progress of the raids can be checked. |