

Coastal Protection Reward Fund - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Coastal Protection Reward Fund for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 and income and expenditure account and notes to the financial statements, 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, the accompanying 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 for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting 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'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 misstatements, 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 skepticism 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 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 Audit observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Funds 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.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation -----	Management Comment -----	Recommendation -----
(a) The total penalty of Rs.682,500 collected by the Magistrate Court from the year 2012 to 2017 which had not been sent to the department, and unable to receive even by 18 March 2022.	Letters had been sent to the relevant Magistrate Courts informing them to take actions to send relevant penalty amounts.	A system should be developed to collect the arrears penalty amounts promptly.
(b) According to the reports submitted by 06 Magistrate Courts in the year 2021, Rs.1, 883,000 out of Rs.2, 058,000 penalties, had not been received by the Fund by 31 December 2021.	There are instances, where money and information are paid after about one year since the penalties were collected.	The due penalty amounts to be received from the Magistrate Courts should be collected immediately.

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

Reference to Laws, Rules Regulations etc.	Non- compliance	Management Comments	Recommendation
Section 5 (i) of the Extraordinary Gazette No. 2018/11 of 09 May 2017 of the Democratic Socialist Republic of Sri Lanka.	Even though the payment on rewards should be made bi-annually, a total amount of Rs.645, 000 was paid as rewards on 07 different instances during the year under review.	No Comments submitted.	Reward payments should be made according to the Gazette.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs.2, 079,250 and the corresponding surplus in the preceding year amounted to Rs.1, 345,000. Therefore a deterioration amounting to Rs.3, 424,250 of the financial result was observed. The main reason for the deterioration was observed due to the transfer of 40 percent of the penalty money received to the fund from the year 2014 to 2020, to the Consolidated Fund during the year under review.

3. Operational review

3.1 Management inefficiencies

Audit Observation	Management Comments	Recommendation
Due to not having a proper system of information flow among Magistrate Courts, the Department of Police and the Department of Coastal Conservation and Coastal Resource Management, to recover all penalty money into the fund which charged from offenders by the Courts and to allocate and to pay rewards to relevant parties which credited to the fund. Therefore it had been difficult to identify the personnel entitled for rewards and get the relevant information easily and early.	The requests are being made to the Courts and to the Police by letters and telephone, to send the relevant information.	A formal system should be set up to receive information and penalty money regularly.