

Fisheries Reward Fund - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Fisheries Reward Fund for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 and Fisheries and Aquatic Resources Act No. 2 of 1996. My comments and observations which I consider in pursuance of provisions in Article 154 (6) of the Constitution 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 2023, 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' 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; and 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 Accounting Deficiencies

The following observations are made

Audit Observation	Management Comment	Recommendation
In the cash balance amounting to Rs. 9,968,225 of the fund in the year under review had been shown the cash payable to rewards recipients and the Government contribution payable, only the allowances should be paid to the rewards recipients that amounting to Rs.2,995,290 had been accounted for. Relevant to the balance of Rs.7,012,935 identifying specifically the amount should be paid had not been accounted for as payable.	Action will be taken to proceed identifying the balances which are not identified up to now in the Fisheries Reward Fund. It was being noted that the government contribution that included in the cash balance to be separately accounted for as payable in the statement of financial position.	Identifying separately the contribution of money to the government and the rewards recipients should be accounted for as the balance payable.

1.5.2 Unreconciled Control Accounts or Reports.

The following observations are made.

Subject	Value as per the financial statements Rs.	Value as per corresponding Records Rs.	Difference Rs.	Management Comment	Recommendation
Money received from the sale of items of the cases	580,187	375,740	204,447	Instructions are given to prepare records accurately.	Action should be taken to settle the balances accurately identifying comparing with the corresponding records.

1.6 Accounts Receivable and Payable

1.6.1 Cash Payable

The following observations are made.

Audit Observation	Management Comment	Recommendation
Although as at the date of 31 December 2023 the total of Rs. 12,555,370 the Fisheries Reward Fund was Rs. 9,600,080 and the allowances payable to the officers was Rs. 2,955,290 the cash balance of the fund account was being Rs. 9,968,225 there had been a difference of Rs. 2,587,145	A difference has been observed. Accordingly necessary action has been taken to correct after identified the accurate financial value should be paid to the officers.	Accurate financial value payable to the officers should be identified.

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

The following non-compliances were observed.

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	(a) Although the Director General is responsible for the administration of the reward fund in the Action Plans which had been prepared by the Department of Fisheries and Aquatic Resources from the year 2018 to 2023, plans had not been prepared identifying the functions of the reward fund and to fulfill as effectively.	Required action will be taken in preparing action plans of the department annually identifying the functions of the reward fund and to fulfill as effectively.	should be prepared for conducting raids and prosecuting activities regarding illegal fishing activities had been done against the Act.
	(b) ng raids in the years of 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 the number of cases had been filed as 348, 488, 427, 327, 604, 536 692,293 and 719 respectively. However no any reward money was paid to the officials who participated to the raids in the years of 2017, 2018 and 2020 and the amount of allowances paid to the officials who participated to the raids in relation to 03 cases out of 719	nt officers are being made aware to promptly take action to collect information and pay allowances.	ditionous system should be developed for awarding the reward money.

cases filed in the year 2023 was Rs. 250,165. Out of the amount of Rs. 9,848,765 payable for the past years no any money was paid to the rewards recipients in the year under review. Accordingly, it was observed that officers are not encouraged to raid illegal fishing activities due to non-arranging of expedite procedure to giving reward money for officers.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.372,570 and the corresponding surplus in the preceding year amounted to Rs. 3,637,671. Therefore a decrease amounting to Rs. 3,265,101 of the financial result was observed. The decrease in received income from the sale of confiscated goods had been mainly attributed to this decrease.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made

	Audit Observation	Management Comment	Recommendation
(a)	As at the date of 31 December 2023 the income from the sale of confiscated fishing income was Rs.2,749,153 and the outstanding amount related to the previous year was Rs.1,839,060. Only amount of Rs. 580,187 had been received from the sale of confiscated fishing income to the reward fund for the year 2023 and no any due amount had been received relating to the past years in the year under review. Accordingly collecting of outstanding income was in a weak condition.	Action will be taken to collect these arrears receivable income in the future.	The collection of arrears income should be done without delay.
(b)	Even though 719 cases were filed through all district fisheries offices in the year 2023, and cash from the sale of confiscated goods from only 04 District Fisheries Offices were credited to the Reward Fund, it was not revealed that much attention had been paid regarding non receiving of income from other District Fisheries Offices to the reward fund by the management.	Letters of instruction have been issued to recover any money, that can be credited to the Fisheries Reward Fund and arrange for giving incentives to the officers who involved in the raids and judicial proceedings.	The sale of confiscated goods should be expedited after the cases are over.

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| (c) | Prompt action had not been taken to be transferred to the fund the money deposited in the court in accordance with the judgment of the cases completed. | For this awareness of that have been made by all the Assistant Directors. | Action should be taken to get transferred the money deposited relating to the cases. |
| (d) | Estimates should be prepared by the District Fisheries Offices to conduct field inspections to arrest illegal activities and act to achieve those targets, however the fund failed to prepare those estimates and achieve relevant targets. | Preparing of action plans had been done by the Development Division for field inspections and raids at district level. Therefore in the areas where illegal fishing activities are reported in all district offices raids will be organized to stop the illegal activities and the district assistant directors will be informed to carry out prosecutions. | Preparing estimates to conduct raids regarding illegal fishing activities targets should be achieved. |
| (e) | Even though the officers who are conducting operations through intelligence and officers who are in searching operations and instances of cases arrest by Navy on the occasions of illegal fishing activities are happening should be recorded for the purpose of such recoded has not been done and action had not been taken by the management to increase illegal raids being aware of public regarding rewards. Further, even though this fund has been established under the section 59 (1) of the Fisheries and Aquatic Resources Act No. 2 of 1996 for the purpose of encouraging officers to raid illegal fisheries activities action had not been taken to fulfill those objectives. | Officers are being made aware of maintaining a register. | A register including all the details relating to the raids. |

3.2 Annual Performance Report

The following observations are made

Audit Observation	Management Comment	Recommendation
(a) Details of cases have been implemented in the years prior to the year 2023 had not been included in the performance report. Information of relevant cases had not been furnished for audit by the legal section of the	Since the data is collecting via the Google sheets it was further informed that all the cases that are in progress will be included to the performance report 2024.	All the information about cases Should be included in the performance report.

department. Therefore it was impossible to have a clear understanding regarding the cases which are in progress from prior to the year, cases completed and due to non - maintaining of those details properly it was impossible to compare the performance.

- (b) It was observed in audit that the accuracy of information of the cases forwarded in the performance report could not be disclosed due to the information regarding cases has been filed by district fisheries offices, cases which are in progress, goods are in the custody of the respective offices, cash receivable to the reward fund from closed cases had not been updated by the Department of Fisheries and Aquatic Resources.
- Instructions are being given to enter in to the performance report details regarding the money receivable to the fund from the raids of illegal fishing activities and cases are being filed.
- All the details of cases which are in progress and cash receivable to the reward fund from closed cases should be included in the performance report.