

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Coastal Protection Reward Fund for the year ended 31 December 2024 comprising the Statement of Financial Position as at 31 December 2024 and the Statement of Financial Performance and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information 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. I do not express an opinion on the financial statements of the Fund. Because of the significance of the matters discussed in the paragraph 1.5 of this report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

My opinion is disclaimed on the basis of the matters described in paragraph 1.5 of this report.

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 the audit 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 statement

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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Audit Observation	Comments of the Management	Recommendation
As per the paragraphs 24 (a) and (b) of the Sri Lanka Public Sector Accounting Standards 03, when an entity changes an accounting policy upon initial application of a Sri Lanka Public Sector Accounting Standard or changes an accounting policy voluntarily, it shall apply the change retrospectively. Even if the accounting policies had been changed from Cash Basis to the Accrual Basis in the preparation of the financial statements in the year under review, the adjustments had not been made retrospectively in the financial statements.	The financial statement of 2024 was prepared on accrual basis and only the income and expenditure specified by the Act have been included in this account. Consequently, the financial statement was not prepared retrospectively as per the Sri Lanka Public Sector Accounting Standard – 3.	The financial statements should be corrected retrospectively as per the Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The Ledger Accounts for the Fund had not been maintained properly based on the source documents, and balancing those had also not been done. The trial balance presented for the audit had also not been prepared based on the ledger accounts.	The Financial Statement of 2024 was prepared on accrual basis, and the ledger accounts were prepared only for the accounts stated in the Act, and the final account was prepared according to the trial balance prepared as per the balance of the ledger account.	The ledger accounts should be maintained based on the source documents and balanced accurately. The trial balance should also be prepared based on the ledger accounts.
(b) The fines to be further collected for the Fund from the court in terms of the cases of which the proceedings were concluded prior to the year 2024 had not been shown as receivable income in the financial statements and their books had not been maintained as enabling to make such indication.	Since the cases are filed by the police, information on all cases is not received by this department. The respective fines are sent to the Department by the Magistrate's Court. Consequently, it is practically difficult to maintain accounts as fines receivable.	The books should be maintained in such a way that the cases of which the proceedings were concluded and the fines to be collected from those can be identified and shown as income receivable in the financial statements.
(c) The details about the cases concluded in the year under review were not available in the Fund, and	The relevant suspects are arrested and the cases are filed by the Police under the Coastal	A system should be introduced so as to identify

as the accounts had been maintained based only on information received from the courts and police stations, it was unable to confirm whether the total income and expenditure was reflected by the income and expenditure amounting to Rs. 2,560,500 that had been accounted in the year under review.

Conservation and Coastal Resources Management Act No. 57 of 1981. Consequently, the rewards for the relevant fines are paid based on information received from the courts and police stations. In these circumstances, there are cases where the fines sent by the court are applied to the cases filed in the previous year, not for the cases filed in that year.

total income and expenditure.

1.6 Non-compliance with laws, rules, regulations and management decisions and etc.

	Reference to laws, rules and regulations	Non-Compliance	Comments of the Management	Recommendation
(a)	Sub section 16(1) of National Audit Act No.19 of 2018	The fund had not properly maintained books and records of all its income, expenditure, assets and liabilities to enable annual and periodic financial statements to be prepared of the Fund.	The answer had not been provided to the audit observation.	As per Sub section 16(1) of National Audit Act No.19 of 2018, the books and records should be maintained.
(b)	Guideline and section 5(i) norm for payment of rewards from Coastal Protection Reward Fund established as per section 31 (f) of Coast Conservation and Coastal Resources Management Act No.57 of 1981 amended by the Acts No.64 of 1988 and No.49 of 2011 published by the Extraordinary Gazette Notification No.2018/11 dated 09 May 2017 of Democratic Socialist Republic of Sri Lanka	Even though the payment of rewards should be made half yearly, an aggregate payment of rewards of Rs.1,060,711 had been made at 03 occasions within year under review.	When one instalment was paid, the payment had been made as two instalments owing to an issue arisen in the vouchers in making payments and it is informed that the awards had been made at 03 occasions in 2024 accordingly.	The action should be taken as per Act by collecting and maintaining the information on the officers who had participated for the cases.

(c)	Financial Regulation 264 of Democratic Socialist Republic of Sri Lanka	No action had been taken to obtain verification for receipt of such reward money from the officers who award the reward money.	The answer had not been provided to the audit observation.	The step should be taken to obtain verification from the relevant officers for receipt of reward money.
(d)	Paragraph 2 (e) of Financial Regulation 877 amended by Public Finance Circular No. 01/2020 dated 28 August 2020	No measures had been taken to table the annual performance report of fund to the Parliament at the beginning.	It is informed that the action will be taken to table annual performance report of fund to the Parliament since this year.	The action should be taken to table annual performance report to the Parliament as per Financial Regulations.

2. Financial Review

2.1 Financial Results

The operating result in the year under review had taken zero value and correspondingly, the deficit was Rs. 337,081 in the preceding year. The preparation of the financial statements in the preceding year on cash basis and preparation of the financial statements in the year under review on accrual basis had mainly caused for this financial result.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	A formal mechanism had not been implemented among the court system, police stations and Department of Coastal Resources Management in the country enabling to collection of fines to Coastal Protection Reward Fund for distribution the fines collected in the courts to relevant officers through the intervention of the police officers and other government officers for the minimization of the unauthorized development activities in the coastal zone and immediately distribution to the connected parties. As a result of that, Coastal Protection Reward Fund was unable to determine how much fines charged from the court	The police officers can take legal action against the persons who carries out an unauthorized development activity in any place of Sri Lanka in contrary to the provisions of said Act in accordance with Coast Conservation and Coast Resources Management Act. The complaints of the officers of this department are not essential for that. However, a letter had been forwarded to the all Magistrate's Courts through Ministry of Justice informing to send the fines in relation to the cases filed under this Act and the	The step should be taken to prepare a proper methodology to exchange the information with Magistrate's Court and Department of Police.

	proceedings within the court system in the country up to now and how much money further receivable for the payment to the police officers and the related parties. Furthermore, it was observed that 40 percent fines to be remitted to the General Treasury couldn't be remitted properly.	police stations are being made aware on that matter.	
(b)	Even though one year had elapsed for an amount of Rs.45, 000 as Rs.10, 000, Rs.10, 000 and Rs.25, 000 paid to the courts as fines concluded the legal proceedings in January 2024, the Fund had failed to bring the fines of Rs.45, 000 from the courts.	The Magistrates of relevant courts had been informed through the letters to send the fines which had not been sent by the courts. Since such fines had been credited to the provincial councils by relevant Magistrate's Courts, it appears that the courts had to take necessary actions to bring such money back.	As soon as the court proceeding is concluded, a proper methodology for sharing information should be prepared between provincial councils and department for payment the fines without delay after obtaining the fines from the courts.
(c)	An amount of Rs.1,707,750 in relation to 173 cases out of Rs.1,834,000 for 198 cases received to Reward Fund for the years prior to 2024 had been remitted to the General Treasury without payment having identified the parties related to those cases. Consequently, it had failed to fulfil the objectives of establishment of Reward Fund.	Since the name registers of relevant officers had not been submitted from the police stations for the receipt of fines older than two years, it had been remitted to the Treasury. As the police stations can't accurately identify the police officers who had participated for relevant case, it is not effective to further retain in the account. Therefore, the money had been remitted to the General Treasury.	The action should be taken to fulfil the objectives of establishment of Reward Fund.

3.2 Annual Performance Report

Audit Observation	Comments of the Management	Recommendation
As per the statement of financial position and the information submitted for the audit, the liabilities to be further paid is Rs. .1,519,955.The fines to be further paid had been mentioned as Rs.1, 423,661 as at 31 December 2024 in draft performance report.	An answer had been provided not relevant to the audit observation.	The action should be taken to accurately indicate the financial information in the performance report.