

## **Fisheries Reward Fund - 2016**

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The audit of financial statements of the Fisheries Reward Fund for the year ended 31 December 2016 comprising the balance sheet as at 31 December 2016 and the statement of income and expenditure, 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 10 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**

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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**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the Fisheries Reward Fund as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

## 2.2 **Comments on Financial Statements**

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### 2.2.1 **Non- compliances with Laws, Rules, Regulations and Management Decisions**

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The following non-compliances were observed.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>
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(a) Sub- section 59(4) of the Fisheries and Aquatic Resources Act, No.2 of 1996	A methodology for awarding rewards for informants had not been prepared.
(b) Section 04:3 of the Public Finance Circular No. P/F 423 of 22 December 2006	A Performance Report had not been presented along with the financial reports of the Fund.

## 3. **Financial Review**

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### 3.1 **Financial Results**

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According to the financial statements presented, the operations of the Fund for the year under review had resulted in a surplus of Rs.1,253,095 as compared with the corresponding surplus of Rs.1,865,239 for the preceding year. Even though the income received by the sale of confiscated goods had increased by Rs.2,499,231, the increase in the payment of allowances to the officers who participated in raids by Rs.3,111,376 had specially attributed to the deterioration of Rs.612,144 in the financial result of the year under review as compared with the preceding year.

## 4. **Operating Review**

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### 4.1 **Performance**

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The objective of the Fisheries and Aquatic Resources Act, No.2 of 1996 is making provisions for the management, regulation, conservation and development of fisheries and aquatic resources in Sri Lanka. In terms of Section 59(3) and Sub-section 51(4) of the Act, the proceeds realized by selling confiscated fish and fishing gear, is credited to the Fisheries Reward Fund. This Fund is operated for awarding rewards for the officers who are involved in relation to the violation of any Order stipulated in Section 5 of the Act and for the informants.

The following observation is made.

Award of rewards for the officers who participated in raids should be made without delay. Even though the number of cases filed in the years 2014, 2015 and 2016 had been 271, 348 and 488 respectively, rewards of Rs.3,826,125 had been awarded only for 64 officers in the Puttalam District for filing of 05 cases in the years 2015 and 2016. As such, it was observed that there was no specific methodology for awarding rewards for officers.

**5. Accountability and Good Governance**  
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**5.1 Internal Audit**  
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Even though the Internal Audit Plan for the year under review had been prepared to minimize the errors in the internal control of the Fund through internal audit examinations relating to the Fisheries Reward Fund and to establish a proper Management System, no internal audit whatsoever had been carried out in respect of the Reward Fund during the year.

**6. Systems and Controls**  
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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director General from time to time. Special attention is needed in respect of the following areas of control.

<b>Areas of Systems and Controls</b> -----	<b>Observations</b> -----
(a) Maintenance of Books and Records	Failure to reveal on raids carried out by the Department in respect of illegal fisheries in the year 2016 due to unavailability of a Register on information on raids.
(b) Payment of Rewards to Officers	Failure to prepare necessary methodologies to expedite the payment of rewards.