

Fisheries Reward Fund – 2019

1.1 Disclaimer of Opinion

The audit of financial statements of the Fisheries Reward Fund for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement performance, and cash flow statement for the year then ended, and notes to the financial of financial statements including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Section 15 of the Fisheries and Aquatic Resources Act No.02 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 published in Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Fund. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient 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 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 auditing standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of my report. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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 misstatements 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 Responsibilities 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 it 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 Judgement 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 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 audit also had 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's had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

The Fund is 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.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit observation	Comments of the Management	Recommendation
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(a) The value of Rs. 308,915 in the items sold in respect of 5 cases completed by 3 district fisheries officers was not accounted for as income.	No such amount had been credited to the Fund in 2019 from the district fisheries offices.	Take steps to accurately calculate receivables and disclose them in financial statements.
(b) The amount Rs.9,607,333 received in the year 2019 from sale of confiscated goods had been paid as rewards and to consolidated fund and the balance of Rs.3,736,633 had not been stated in the financial statements.	The general procedure is to pay only amount relevant to the cases submitted for payment in the year 2019 as per the decisions of the committee.	The total amount to be paid should be disclosed in the financial statements.

1.5.3 Lack of Evidences for Audit

The following observations are made.

Subject	Amount	Audit evidence not supplied	Comments of the Management	Recommendation
	Rs.			
(a) Although the amount received from sale of confiscated goods in the year 2019 was Rs.9,607,333, according to the performance report the amount received in the year 2019 was Rs.6,148,395. But required evidences were not submitted on the difference of Rs.3,458,938 and the receivable balance of Rs.1,973,908 as at 31 December in the year under review. Thus the accuracy of the balances was not confirmed.	5,432,846	Details of income credited by the fisheries offices.	The difference is not answered. This is due to the fact that it takes a long time for the courts to recover the money.	Actions should be taken to correctly identify the income by obtaining confirmations of receivables from the courts in respect of completed cases.
(b) Rs.5,870,700 had been paid to the reward winners and to the consolidated fund from the sale of confiscated goods in 2019. Due to failure to maintain proper information regarding the officers who participated in the raid, it was not possible to ascertain whether payment had been made for the claimant and whether the loss of government revenue due.	5,870,700	List of persons involved in raids and lawsuits.	A separate register is not maintained as only a small number of vouchers are submitted in about 10 cases a year.	Maintain records containing information in a transparent manner.
(c) Although Rs.425,683 had been paid to the Director General to pay for the information providers, those payment were made to the relevant parties was not confirmed in audit.	425,683	Registers of informants and raid participants.	The money was handed over to the Director General to provide to an informant.	Maintain all information relevant to cases and updated records.
(d) No formally updated records have been maintained to identify exactly how many cases are currently pending and how many are inactive.	-	Regularly updated reports.	Actions are taken to submit accurate reports in the future.	Maintain all information relevant to cases and updated records.

- (e) No disclosure about the goods and equipment seized by the 13 district fisheries offices had been made in the financial statements. - List of Fisheries machines tools. Need to formulate accounting policies to identify all assets of the Fund. Offices had been asked to submit information on the items in its custody, only the Trincomallee district office had been informed.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
No action had been taken to recover the amount of Rs.1,973,908 from the sale of fish due from 2013.	This is due to the fact that it takes a long time to get this money from the courts.	Action should be taken to recover the revenue due from the courts expeditiously.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation
(a) Fisheries and Aquatic Resources Act No.02 of 1996. (i) Section 46(4)	Although the proceeds from the sale of fish or other aquatic resources should have been deposited in the relevant magistrate's court as per the section, the sum of Rs.5,028,600 released from action held in connection with investigation Division was credited to the bank account of the Fisheries and Aquatic Resources Department on the same day instead of being deposited by the Magistrate.	Noted to inform about this.	Proceeds from the auction should be deposited in court.

(ii) Section 49(5)	The department had not taken action to obtain reports on cases filed against those involved in illegal activities.	Assistant directors are notified regularly at monthly meetings.	Taking action 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 and lawsuits have been filed for raids of 271,348,488,427,327 and 604 respectively in the years of 2014, 2015,2016,2017,2018 and 2019, any rewards money had not been paid in the years of 2014,2017,2018.	This is due to the delay in submitting vouchers by reward recipients.	The officers who participated in the raids should be paid their dues without delay.
(iii) Section 59(2)	Although the Director General was responsible for the administration of the Reward Fund, plans had not been prepared being identifying the activities of the Reward Fund and being implemented them effectively in the action plans prepared by the Fisheries and Aquatic Resources Department in the years of 2017,2018,2019.	Noted to include to the annual action plan.	Identify the functions of the Reward Fund and plan and execute them as needed to perform them effectively.
(iv) Section 59(3) and Subsection 51(4)	Although the Director General mentioned that the District Assistant Directors should take steps to submit the details of good not yet credited to the Reward Fund and items held in the court/Navy and District Fisheries Officers before 04 January 2020, it was not working properly and no follow-up was done.	Make arrangements to get this information monthly.	Maintain information on the revenue due to the Reward Fund and the items in the custody of the District Fisheries Offices.
(v) Section 59(4)	A methodology had not been prepared to grant any amount of money as rewards money considered by the Director as suitable from time to time for the officers and to information providers.	No answers provided.	Need to develop methods of giving rewards to encourage raiding officers and informants.
(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation	An internal audit had not been carried out in respect of the Reward Fund from	No answers provided.	An internal audit should be carried

133(i) and the year 2013 to the year 2019.
 Management
 Audit Circular
 No.D/M/A/06
 dated 23
 December
 2011.

out in respect of
 the Fund.

(ii) Financial Regulation 156(5) The transactions had been deleted in the accounts such as Fisheries Reward Fund, Receivable Income from Sale of Fish outside the regulation and these deletions had not been checked and confirmed by a responsible officer. Further it was also recorded in the ledger without using the journal entries to correct errors and without the scrutiny of a responsible officer.

No answers provided.

Changes, cuts must be certified signing the officer responsible.

(c) Director General's letter No DFAR/INF/Fisheries Reward Fund dated 5 March 2019. At the commencement of raids, a copy of the log should be filed and the details of all officers involved in the raids should be included. However, it was observed that the Investigation Division did not use any logs containing such information regarding the raid carried out on 02 July 2019 using the vehicle bearing No. NB 1391 and a copy of it was not filed.

No answers provided.

Maintaining logs with the names of the participants in the raids.

2. Financial Review

2.1 Financial Results

The financial results of the year under review had been a surplus of Rs.4,986,600 as compared with the surplus amounting to Rs.610,145 of the preceding year. Accordingly, an improvement in the financial results amounting to Rs.4,376,455 was observed. Although the reward of Rs. 4,547,647 had been paid to the officer who made the raids in the year under review, increase of revenue from the goods confiscated by Rs.8,924,103 had been mainly attributed for this improvement.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

	Audit Observation	Comments of the Management	Recommendation
(a)	The cases filed by the Mullaitivu District Fisheries Office in the year 2018 was 70 and the number of pending cases at the end of the year 2018 was 58 and the number of cases filed in January 2019 was only 8. Prohibited nets and the use of dynamite had led to these lawsuits and despite the fact that management had been made aware of the threat to fish stocks posed by these fishermen, the activities had not abated. There was a need to expand follow-up and focus on more effective strategies and publicity to achieve more effective results.	Do not agree. During the year, awareness programmes were conducted for fishermen in all districts regarding illegal fishing activities.	Adequate methods should be developed to conserve fish resources.
(b)	No action had been taken to expedite the disbursement of funds deposited in courts relating to the completed cases.	Noted to advise the relevant officers to avoid these shortcomings.	Action should be taken to maintain proper records on cases and to bring down money.
(c)	The committee had published newspaper advertisements in July 2019 to hold an auction of confiscated sea urchins at a private location. However, due to a dispute over the location of the auction, and taken action to hold the action at the head office and spent Rs. 116,860 on advertisements on 2 occasions.	Because the department had no storage facilities and they were kept in a private institution and their reluctance to hold the auction and due to hold the auction at the head office, they had to publish it twice.	Management must act to make effective decisions.

3.2 Operating Inefficiencies

Audit observation	Comments of the Management	Recommendation
Although the expected target of the raids was 655, only 200 raids or 31 percent had been done. Hence, the relevant target of the investigation division and other district fisheries offices other than the Jaffna and Puttalam district fisheries offices had not been reached.	There seems to have been an over estimation in determining this target.	Management must work to achieve targets in accordance with the plans.