

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Fisheries Reward Fund for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and statement of financial performance, statement for changes in equity, cash flow statement 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 the provisions of the National Audit Act No.19 of 2018 and Fisheries and Aquatic Resources Act No.02 of 1996. My comments and observations which I consider should be reported to Parliament in terms of Article 154 (6) of the Constitution 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 Fisheries Reward Fund as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for qualified Opinion

My opinion is qualified based on 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 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 the Sri Lanka Public Sector Accounting Standards and for such internal control as management determines 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 for accounting unless management either intends to liquidate the company 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 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 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

- Appropriate audit procedure were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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
- An understanding of internal control relevant to the audit was obtained 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 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 discussions 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 preparation of the financial statements

1.5.1 Accounting Deficiencies

Audit observation	Comments of the management	Recommendation
It had not been separately identified the amount to be paid to the rewardees as rewards and payable government contribution from the balance of Rs.8,734,648 which was the Fisheries Reward Fund as at 31 December 2024.	This balance of Rs.6, 893,297 which had not been exactly identified had existed owing to the facts such as inability to exactly identify the allowance balances to be paid to the officers in relation to each legal proceeding from the money credited to the Fisheries Reward Fund in the years before 2021 and inability to accurately identify the balances to be credited to the government revenue and the action is being to settle this balance.	The amount to be paid to the rewardees as rewards and payable government contribution should be clearly identified.

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

Reference to laws, rules and regulations	Non-compliance	Comments of the management	Recommendation
Fisheries and Aquatic Resources Act No.2 of 1996			
(a) Section 59(2)	The plans had not been prepared for effectively carrying out having identified the functions of the Reward Fund in the action plans prepared from 2018 to 2024 by Department of Fisheries and Aquatic Resources.	In terms of section 51 of the Fisheries and Aquatic Resources Act No.02 of 1996, the amounts received from the auction of confiscated goods and fish is only credited to the Fisheries Reward Fund. Accordingly, even though it had been proposed to prepare an action plan for Fisheries Reward Fund, a forecast couldn't be made in relation to the amount credited to	Having identified the functions of the Reward Fund, the plans should be prepared to effectively perform those.

Fisheries Reward Fund in accordance with the raid carried out and number of lawsuits. An approved action plan had not been prepared in 2024 for Fisheries Reward Fund.

- (b) Section 59 (4) Even though 427,327 and 536 cases had been filed subsequent to carrying out illegal fisheries activity raids in 2017, 2018 and 2020 respectively, no any reward amount in respect of such years had been paid to the officers who had participated for the raids. Even though a reward of Rs.3,143,335 had to be paid as at 31 December 2024, only Rs.55,980 had been paid to the officers who had participated for the raids in relation to 04 cases out of 672 filed in 2024. An amount of Rs.9,968,225 payable with regard to the cases for the previous year had not been paid in the year under review. Accordingly, it was observed that the officers had not been incentivized for raids of illegal fishing activities due to non-preparation of an expeditious process for giving the rewards to the officers.
- Even though 427 cases in 2017, 327 cases in 2018 and 536 cases in 2020 had been filed, the money received from the auction of the confiscated goods and fish in terms of section 51 of Fisheries and Aquatic Resources Act had been credited to the Fisheries Rewards Fund. Therefore, revenue received from the cases had not been credited to Reward Fund. Furthermore, since there are some officers who had not been identified in relation to the revenue credited within these years and there are no relevant reports, it couldn't be paid for certain legal proceedings. Furthermore, the action will be taken in the future to credit this money to the government revenue by providing a period of time to the officers to submit the relevant reports. Similarly, it was unable to exactly identify the officers who had participated for the raids because the officers of Sri Lanka Navy, Department of Coast Conservation had been frequently transferred and a long period had spent to take required action since the end of the legal proceeding. Even though the certain officers request for the fisheries rewards, it couldn't be made payments due to the shortcomings in the relevant reports.
- An expeditious methodology should be prepared to provide the reward funds to the officers.

2. Financial Review

2.1 Financial Result

The financial result in the year under review was an excess of Rs.142,948 and correspondingly, the surplus was Rs.372,570 in the preceding year. Accordingly, a decrease of Rs.229,622 was observed in the financial result. The decrease of income received from sale of the confiscated goods had mainly caused to this decrease.

3. Operational Review

3.1 Management Inefficiencies

	Audit observation	Comments of the management	Recommendation
(a)	In comparative with 2022, the money credited to the fund from the courts had decreased by Rs.13,060,405 or 89 percent in 2023 and had decreased by Rs.918,486 or 61 percent in 2024 in comparative with 2023. Similarly, the amount paid for rewards from fund had decreased by Rs.9,795,303 or 89 percent in 2023 in comparative with 2022 and had decreased by Rs.688,864 or 61 percent in 2024 in comparative with 2023.	The facts such as non-availability of trained officers for conducting raids in the Investigation Unit and District Offices adequately, existence of vacancies in District Offices since certain officers had gone foreign leave with pay , it had happened to perform all essential tasks through limited officers, inability to perform as per the action plan prepared in relation to the raids and filing cases owing to economic crisis and fuel crisis prevailed in 2022 had caused for the decrease of amount credited and the percent of amount paid as rewards.	The attention should be paid to fulfil the objectives such as carrying out illegal raids which is an objective of the Fisheries Reward Fund and pay the rewards to the officers who are entitled to the rewards.
(b)	As per the financial statements of Fund, the confiscated fish sales income receivable from the courts as at 31 December 2024 was Rs.1,984,300 and the balances of Rs.44,656, Rs.889,662 and Rs.169,187 had not been recovered since 10 years, 05-10 years and 03-05 years respectively. Only Rs.601,091 had been received to Rewards Fund from sale of the confiscated fish in 2024. The steps had not been taken to verify the accuracy of these balances and recover those balances having	The confiscated money deposited in the court in the preceding years had been given to the head office by mentioning as receivable by District Assistant Directors, it couldn't be verified the accuracy of such money receivable since 10 years due to not requesting to credit sat the end of the case. such money to Fisheries Reward Fund Similarly, it had been formally made aware the all District Assistant Directors by an internal circular to take necessary action to credit the deposit money confiscated by the	The steps should be taken to verify the accuracy of outstanding balances and recover having found out the reasons for not recovery.

	<p>finding out the reasons for non-recovery yet and no measures had been taken to expeditiously bring the money deposited in the courts in relation to cases completed in each year after making aware District Fisheries Offices. Accordingly, the recovery of outstanding revenue was in a poor level.</p>	<p>court after ending the cases filed through District Fisheries Offices for minimization the issues in this regard to the Fisheries Reward Fund within one month.</p>	
(c)	<p>As at 31 December 2024, a balance of Rs.3, 409 more than 05 years and Rs.1,593,371 more than 02 years had existed in the balance of Rs.3,143,335 paid payable to the officers who had participated for raids the raids and no step had been taken to pay the reward allowance payable to the officers who had participated for such raids.</p>	<p>On 31.12.2024, an amount of Rs.3, 143,335 had been shown in the financial statements as the donation allowances payable to the officers who had participated for the raids. The raid analysis on the officers who had participated for such raids and information had been submitted.</p>	<p>The action should be taken to immediately bring the money deposited in the courts having made ware District Fisheries Offices.</p>
(d)	<p>Even though the steps should be taken to achieve said estimates and targets in relation to carrying out field inquiry for arrest pertaining to the illegal activities prepared by District Fisheries Offices, said estimates and targets had not been achieved.</p>	<p>In the preparation of the action plans of the Department of Fisheries and Aquatic Resources, the plans on raids and filing cases are prepared by Development Division. It couldn't be fulfilled these targets since the officers who participate for raids are minimum due to engagement of officers for additional duties and the shortage of officers.</p>	<p>Having prepared the estimates and targets by District Fisheries Offices in relation to carrying out field inquiry for arrest, the action should be taken to achieve such targets.</p>
(e)	<p>In accordance with the reports submitted by Investigation Unit of Department of Fisheries Aquatic Resources in the year under review, though the evidence planned raids was 47 from raids planned in 2023, no such raid had been performed in the year under review.</p>	<p>In the preparation of the action plans of the Department of Fisheries and Aquatic Resources, the plans on raids and filing cases are prepared by Development Division. It couldn't be fulfilled these targets since the officers who participate for raids are minimum due to engagement of officers for additional duties and the shortage of officers.</p>	<p>Having performed the raids, the targets planned should be achieved.</p>
(f)	<p>Without maintaining a separate bank account for Reward Fund, the bank account of department had been utilized for Reward Fund.</p>	<p>Under the Fisheries and Aquatic Resources Act No.02 of 1996, this had been commenced as a statutory fund and the money circulating activities of Fisheries Reward Fund had been carried out through the bank account of department since that</p>	<p>In maintaining a bank account, the bank confirmations, bank reconciliations and bank statements should be forwarded to the audit.</p>

time. Since a numerically less amount is circulated, the money circulating activities of fund had been performed through the bank account of department. The bank confirmations, bank statements and bank reconciliations related to that exist in common and the accounting activities are carried out through that.

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| <p>(g) Even though the payments should be expeditiously made after documenting in a manner of identification the incidents of arresting by Sri Lanka Navy when illegal fisheries activities occur, officers who carry out the operating activities through receipt of secret information and officers who perform the surveillance activities in District Fisheries Offices, such documentation had not been carried out and no action had been taken by the management to increase the illegal raids having made aware the people on these rewards. Moreover, though this Fund had been established with an objective of incentivizing the officers for carrying out illegal fisheries activities raids under section 59(1) of Fisheries and Aquatic Resources Act No.02 of 1996, no action had been taken to achieve said objective.</p> | <p>The all Assistant Directors had been made aware to accurately enter the relevant information into system and correctly maintain as soon as a successful raid had been completed for providing the benefits to the beneficiaries once the court proceedings had been completed. Furthermore, it had been published the advertisements through all district offices and made aware to directly provide information to Director General of Department of Fisheries and Aquatic Resources or provide information to District Assistant Director for giving WhatsApp messages for identifying the informers and giving the secret information. Accordingly, the fishing community and officers had been made on benefits of Fisheries Reward Fund.</p> | <p>The action should be taken to incentivize the officers who had participated for the raids for illegal fisheries activities which is the objective of establishing this fund.</p> |
| <p>(h) A document including the name of the officer who had participated for the raid, designation, institute, case number, payment voucher number, and signatures of rewardees had not been maintained enabling to obtain such information of such rewardees and act in transparent manner in making payments to the rewardees. Accordingly, since the information is not duly maintained, it was observed that there are opportunities for not payment to the relevant persons, payments to the persons who do not have reward</p> | <p>Even though a document including the information such as names of officers who had participated for the raids, designations, institute, case number and number of payment voucher is maintained presently and since it is practically difficulty to obtain the signatures of the officers of external institutions, such money is credited to their relevant account. After that, such receipt or cheques are handed over to the relevant officers in registered post.</p> | <p>In payment through reward fund to the rewardees, a document including the information enabling to obtain the information of said rewardees should be maintained.</p> |

entitlements and loss of state revenue receivable.

- (i) As at 31 December 2024, a board of survey/calculation in relation to the goods under custody of each fisheries office had not been performed. Therefore, a verification whether the goods under custody indicated in the schedule forwarded with the financial statements of Award Fund 2024 actually exist had not been submitted.
- The reports are obtained on the recommendations of Assistant Director with regard to the goods under custody of each fisheries office as at 31 December 2024 and the said reports are accurately prepared after carrying out a board of survey in respect of that in preparation of a report by them. Accordingly, the goods under custody actually exist and it can be considered similar to a board of survey.
- A survey/calculation should be carried out in relation to the goods under custody of each fisheries office.