

Fisheries Reward Fund – 2025

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Fisheries Reward Fund for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 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 2025, 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

I expressed qualified opinion on the matters described in paragraph 1.5 of this report with regarding the financial statements.

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 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 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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or errors, 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 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; and
- 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	Management Comment	Recommendation
(අ)	Although the amount payable to rewardees and payable government contribution as at 31 December 2025, had been Rs.14,766,706 as per the cash book, it had been stated as Rs.10,171,913 in the financial statements. Therefore, it had been an unreconciliation amount of Rs.4,594,793. Actions had not been taken to identify, settle and account the unidentified balances and royalty within that difference during the year under review. Further, the government contribution of Rs. 2,449,081 for the year 2025 and the royalty payments relating to previous years that had not been remitted to government revenue, had not been identified and accounted as liabilities in the Statement of Financial Position.	This balance of Rs.4,594,793 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.	Actions should be taken to exactly identify and settle allowance balances to be paid to the officers in relation to each legal proceeding and the balances to be credited to the government revenue.
(ආ)	Due to the failure to properly reconcile the amount of Rs.423,612, which had been received to the Fisheries Rewards Fund from the courts for the payment of rewards to	The balance brought forward in the account of allowances payable to officers of the Fisheries Reward Fund as at 1 January 2019, was Rs. 3,409.	Actions should be taken to make the necessary adjustments between the relevant accounts and state

officers for the year 2015 but remained unpaid, between the Payable Reward allowance account and Accumulated Rewards Fund account, the Accumulated Rewards Fund account had been overstated by Rs.423,612 and the Payable Reward allowance account had been understated by the same amount. Accordingly, since the sum of Rs. 344,660 received for the year 2015 was not recorded in the account for allowances payable to officers for that year and as there was no other suitable account available for this adjustment, the amount was adjusted to the Fisheries Reward Fund account. the correct balances in the financial statements.

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

Reference to laws, rules and regulations	Non-compliance	Management comment	Recommendation
Section 59(2) of the Fisheries and Aquatic Resources Act, No. 2 of 1996	(a) Although the Director General shall be responsible for the administration of the Reward Fund, Plans incorporating activities and targets by identifying the objectives and functions of the Reward Fund for achieving them effectively, had not been prepared in the action plans made by the Department of Fisheries and Aquatic Resources from year 2018 to year 2025.	Cases are filed regarding the offenses caught in the raids and inspections. Although the fines are imposed after the accused plead guilty in such cases, those fines are not credited to the Fisheries Reward Fund. Only in certain cases, the money received from the auction of goods and fish forfeited pursuant to a court order are credited to the Reward fund. Therefore, it is difficult to forecast on the money credited to the Fisheries Reward Fund by lawsuits.	Plans should be prepared based on the objectives and activities of the Fund as to be achieved them effectively.
	(b) An amount of Rs.10,171,913 had been stated in the Statement of Financial Position as at 31 December 2025 as the allowances payable to the officers who had participated in raids and Rs.4,225,976 out of that amount had been related to	Although 713 cases had been filed for the year 2025, auction revenue had been credited in relation to only 48 cases. All District Assistant Directors have been formally instructed by the circular no. DFAR/INV/2024/01 and the internal circular dated	Officers should be incentivized to raid illegal fishing activities by making a expeditious procedures to provide reward money to the officers.

the year under review, while the rest of Rs.5,945,937 represented balances carried forward from the year 2014. Even though an amount of Rs.345,635 had been received related to 06 cases from the 713 cases which had been filed in year 2025 to the Fund, no any reward amount had been paid to the officers who had participated for the raids. Accordingly, it was observed that the officers had not been incentivized for raids of illegal fishing activities due to not preparation an expeditious procedure for giving the rewards to the officers.

19 July 2024 as to deposit forfeited money by completion of legal proceedings of cases maintained by District Fisheries Offices to the Fisheries Reward Fund within a one month of period and to take the names of the officers participated in raids at that time itself.

2. Financial Review

2.1 Financial Results

The financial result of the year under review amounted to a surplus of Rs.2,449,081 and the corresponding surplus in the preceding year amounted to Rs.142,948. Therefore an improvement amounting to Rs. 2,306,133 of the financial result was observed. The reasons for the improvement are mainly due to the increase in revenue from the sale of forfeited goods during the year under review

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Management comment	Recommendation
(a)	In accordance with the information submitted to the audit on 06 April 2026, it was observed that out of the 320 annual raids and arrests targets planned for 08 District Fisheries Offices for the year 2025, only 169 targets had been achieved. Accordingly, the percentage of non-achievement of targets ranged from 23 percent to 95 percent depending on the	These percentages have changed due to the lack of trained officers, officers going abroad, not recruiting new officers and the inability to meet targets due to insufficient officers to conduct raids and the lack of sufficient information to	Necessary actions should be taken to achieve the targets to identify and meet human resource needs and review the progress of raids and arrests targets at the District Fisheries

	relevant District Offices and it was observed that there was a significant gap between the planned targets and the actual performance.	make payments to the Fisheries Reward Fund.	Office level on a timely basis.
(b)	Any amount had not been recovered during the year under review from the revenue balance of Rs. 1,984,300 due from the sale of confiscated fish as of 01 January 2025 and the process of obtaining confirmation of the relevant outstanding revenue balances through the courts was also in the slow level.	Actions have been taken to inform all Assistant Directors in writing to verify the balance of confiscated fish sales proceeds due from the courts as of 31 December 2025.	Necessary actions should be taken to expeditiously verify and recover the arrears of revenue due through the courts.

3.2 Other Matters

Audit Observation	Management comment	Recommendation
Although the necessary information should be documented in a manner that enables the identification of arrests made by the Sri Lanka Navy, officers conducting operations through surveillance and officers conducting search operations at District Fisheries Offices and rewards should be paid promptly, such documentation had not been carried out. Further, necessary measures had not been taken to improve the collection of information and raids on illegal fishing activities by making aware of the public about the method of receiving rewards. Similarly, although the fund had been established under Section 59(1) of the Fisheries and Aquatic Resources Act No. 02 of 1996 with the aim of encouraging officers to raid illegal fishing activities, it was observed that the methods of reward payments and obtaining information had not been implemented to effectively fulfill that purpose of the fund.	Actions have been taken to make awareness to maintain a register to identify officers and spies participating in raids and to obtain signatures on requisition forms. Moreover, it is possible to provide information directly to the District Assistant Director or the Director General of the Department of Fisheries and Aquatic Resources in order to identify and provide information to informants and awareness was raised about this through all District Offices.	The information recording and reward payment system should be streamlined so that the objective of the fund, which is to encourage officers and informants to raid illegal fishing activities, is effectively achieved and actions should also be taken to educate the public about the reward system.