

Coastal Protection Reward Fund - 2020

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Coastal Protection Fund for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and income and expenditure account and notes to the financial statements, 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.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2020, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

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 the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Generally Accepted Accounting principles 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 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 to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing 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 Responsibility for the Audit of the Financial Statement

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 judgment and maintain professional skepticism 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; 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 the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Funds are 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.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observations	Management Comment	Recommendation
The total penalty money Rs. 702,500 which had been recovered by the magistrate court from the year 2012 to 2017, but had not been sent to the department, was unable to receive until 5 th of July 2021.	Letters have been sent to the relevant magistrate courts by informing to take actions to send relevant penalty money.	Should arrange a system that enable to receive the arrears of penalty money immediately.

1.6.2 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non- compliance	Comments of the management	Recommendation
Extra-ordinary gazette paper bearing the number 2018/11 of the Constitution of Democratic Socialist Republic of Sri Lanka as at 9 th of May 2017.	Guild lines and criteria of reward payments from the coastal conservation reward fund were mentioned at here and from the year 2017 reward payments were begun. As at 31 December 2016 the amount of Rs.2,952,000 had been accumulated to this fund and that amount is being continuously gone forward as a balance of the fund.	Though received money, the money had been unable to pay due to the delay of sending the name registry of the police officers.	Should take necessary actions regarding the balance that continuously descending.

- Paragraph No.02 Though had to allocate 40 percent of the money that credited to the fund, to the consolidated fund, and from the amount Rs.2,065,000 that credited to the fund during the year 2020, Rs.826,000 of money should be transferred to the treasury. but only Rs.288,000 had been transferred it's about 14 percent of the money that credited to the fund in the year under review.
- 40 percent of the total money that reward payments are being made, is credited to the consolidated fund.
- According to the gazette paper 40 percent of the money that credited to the fund, should be credited to the consolidated fund

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.1,345,000 and the corresponding surplus in the preceding year amounted to Rs.1,022,500 Therefore an improvement amounting to Rs.322,500 of the financial result was observed. The main reason for the improvement is decreased the reward payment.

3. Operational review

3.1 Management inefficiencies

Audit Observations	Comments of the management	Recommendation
<p>Due to not having a proper system to flow information among magistrate courts, police department, Coastal conservation and management of coastal resources department , to recover all penalty money into the fund which charged from offenders by the courts and to allocate and to give the money as rewards for relevant parties which credited to the fund .Therefore it's unable to identify easily and quickly the penalty receivables from the courts and the peoples who should be rewarded and its unable to obtain relevant information too.</p>	<p>The notifications are being done by letters and phone calls to send the relevant information to the courts and to the police.</p>	<p>A formal system should be set up to receive information and penalty money regularly.</p>