National Aquaculture Development Authority - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Aquaculture Development Authority of Sri Lanka for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policy was carried out under my direction in pursuance of provisions in Article 154(1) 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 and Finance Act, No. 38 of 1971 . My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2024 and of 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 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 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 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 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 misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

As per Sub Section 16(1) of the National Audit Act, No. 19 of 2018, the Authority 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 Authority.

1.4 Scope of Audit (Auditor's responsibility on Audit of 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 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 Authority'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 Authority'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 Authority 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 Authority, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;

- Whether the Authority has performed according to its powers, functions and duties; and

- Whether the resources of the Authority 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

	Non-compliance with reference to the relevant standard	Comments of the Management	Recommendation
(a)	Even though the surplus should be compared with net cash flow and disclosed in preparation of the cash flow statement in direct method as per paragraph 29 of Sri Lanka Public Sector Accounting Standard 02, no action had been taken by Authority accordingly.	The action will be taken to rectify this error in the preparation of the final accounts 2025.	The financial statements should be prepared in compliance with Sri Lanka public Sector Accounting Standards.
(b)	The cost and relevant cumulative depreciation amounts in relation to vehicles and 13 motorcycles at a cost of Rs.3, 129,555 auctioned in 2024 contrary to paragraph No.80 (a) and 81 of Sri Lanka Public Sector Accounting Standard 07 had not been removed from relevant accounts and an amount of Rs.890, 621 received from the vehicle auction had been accounted as an income of Authority.	In making adjustments in the vehicles sold, the cost of three vehicles can't be identified and accordingly, the action will be taken to make adjustments for such three vehicles in the future and the adjustments in relation to other vehicles had been performed by the journal note No. JRL/002/25 in 2025.	It should be compiled with Sri Lanka Public Accounting Standards.
(c)	Since an amount of Rs.8,150,845 received from the ministry for release the retention money in the year under review had not been identified as revenue as per 49 of Sri Lanka Public Sector Accounting Standard No.11, the profit in the year under review had been understated by same amount.	If the imprest provided to release the retention money as highlighted by the audit is identified as revenue, account receivable balance occurred in the previous year is brought forward without settlement. If this issue should be further studied and adjusted, the adjustments will be	The revenue in the financial statements should be accurately identified.

		made through the final accounts 2025.	
(d)	The total grant of Rs.65, 768,991 received as foreign grants to Authority in the year under review had been credited to the project accounts without identification to the income as per the provisions in the paragraph 95 of Sri Lanka Public Sector Accounting Standards No.11.The total expenditure of Rs.51, 233,815 incurred in the year under review for those programs had been debited to the project accounts without taking to the statement of income.	Agreed. The action will be taken to rectify through the annual accounts 2025.	The income should be accurately identified to the accounts as per Public Sector Accounting Standards.
(e)	The method of accounting property, plant and equipment had not been disclosed by Authority and only two lands had been revalued in 2012. Even though some lands had been revalued in 2024 and such values had been disclosed in the financial statements, the fair values of property, plant and equipment had not been accounted as per Sri Lanka Public Sector Accounting Standards No.07.The fair values of property, plant and equipment at a cost of Rs.2,703,182,770 and the assets of hatcheries at a cost of Rs.854,727,329 had not been depicted in the financial statements.	The lands and buildings belonging to Authority had been submitted to Department of Valuation for valuation.	The lands and buildings belonging to Authority should be valued.

1.5.2 Accounting Deficiencies

	Audit Issue	Comments of the Management	Recommendation
(a)	Since the mother fish stock which can be used for breeding is valued and accounted based on the average market price for selling mother fish which can't be bred by the Authority, the accurate value of mother fish which can be used for breeding had not been disclosed in the financial statements.	The preparation of a policy for the calculation the biological stock is a matter which had been discussed in the audit and management committee meeting and accordingly, a committee consisting with the lecturers of universities and the divisional heads had been appointed. A report related to Thilapia fish had been obtained. Said report is under the study of the management presently and	A biological methodology should be prepared for valuing the live fish.

		it is due to be prepared the policy after submission that report to the Board of Directors on the observation of audit and management committee.	
(b)	A multi-species marine finfish hatchery had been constructed in Batticoloa district at a cost of Rs.143 million by Food and Agriculture Organization (FAO) and handed over to the Authority on 29 June 2017. Though such asset had been valued as Rs.155, 450,000 by the Authority, no action had been taken to account so far.	The value of Rs.155,450,000 is not a value of Department of Valuation and a value of an internal report prepared by Engineering Division in relation to that asset had been indicated in such manner. It is informed that this asset had been forwarded to the Department of Valuation in 2021.	The action should be taken to obtain accurate valuation and account it.
(c)	The prawns hatchery located in Pudukudiruppu constructed at a cost of Rs.75,880,829 had been handed over to Authority on 30 December 2009 by aquaculture development and quality promotion project. As per the valuation report dated 22 June 2015, this hatchery land and building had been valued as Rs.47,951,600 and other assets as Rs.3,146,550 and such assets had not been accounted up to now.	As at 31.12.2012, the all assets existed in the Authority had been referred to the Department of Valuation for valuation. But the values given by such reports had not been accounted due to non-submission of the valuation reports in relation to all centres and the extension offices and non-completion of the reports submitted. Since these assets had been referred to the Department of Valuation for valuation, it is informed that the action will be taken to account accordingly subsequent to receipt of news valuation reports.	The action should be taken to account after obtaining the accurate values.
(d)	Even though the land of Batthuluoya Aquaculture Office had been valued as Rs. 4,000,000 in accordance with the assessment reports dated 16 July 2014, such land had been accounted as Rs.2,599,000 in the financial statements in the year under review. The non-current assets had been understated by Rs.1,401,000.	The all lands of Authority had been referred to the Department of Valuation for valuation; these balances will be corrected after updating the land assets category and receipt of all reports.	The accurate valuation amount should be accounted in the financial statements in the year.

(e)	An expenditure of Rs.221, 719,566 for Hambanthota Rekawa Mud Crab City Hatchery constructed from the ministry grants from 2017 to 2020 had been accounted under non-current assets and deferred income and even though such value had been removed from the deferred income account and included under non-current liabilities as lease suspense income account in 2022, no action had been taken to rectify that account.	This project is implemented on a trilateral agreement. Since this construction had been carried out through the Treasury provisions, such cost had been accounted as an asset of Authority through deferred income account at the initial stage and later, this asset had been identified as an investment asset and it had been credited to suspense lease account. One the issue whether the lease instalments charged from this project can be accounted as income of Authority, the rectification of accounts had not been further carried out.	After identifying investment properties, it should be accounted.
(f)	Since the lease rental of Rs.7,440,769 recoverable from private company to which Rekawa Crab city project had been leased on 02 December 2024 had not been accounted as receivable tax income, the current assets and income had been understated from same amount.	Since the issue had arisen to exactly identify whether these charges were income of Authority, this amount had not been identified as receivable income. But the action will be taken to solve this issue in 2025 and rectify the accounting notes.	The lease income should be accurately accounted.
(g)	Since the retention money of Rs.10,321,732 on overdue contracts had been credited to the income of Authority instead of crediting to Government revenue, the profit in the year had been overstated by same amount.	The action will be taken to rectify in 2025.	The retention money on contracts should be accurately accounted.
(h)	Though an expense of Rs.99,844,016 had been incurred for depositing the fingerlings in the year under review, an amount of Rs.200,000,000 had been shown for depositing fingerlings under the investment activities in the cash flow statement in the year under review. As a result of that, the cash outflows in the investment activities had been overstated by	The allocation of Rs.200 million was for capital provision and the expenses in capital or investment nature expenses are generated through the capital provision. Moreover, cash flow statement had been prepared as per the object accounted the expenses. Accordingly, since Rs.200 million had been had been	The cash outflows of the investment activities in the financial statements should be accurately identified and noted.

	Rs.100,155,984.	incurred under capital expenditure head, it had been identified as an investment source.	
(i)	Since an amount of Rs.16, 372,269 received as lease rentals in the year under review public private partnership agreements had not been indicated under investment activities receipts in the financial statement in the year under review, the cash inflows in the investment activities had been understated by same amount.	Agreed. The action will be taken to rectify through the annual accounts 2025.	The lease rental income should be correctly noted in the cash flow statement.

1.5.3 Lack of Documentary Evidence for Audit

Item	Amount Rs.	Audit evidence not provided	Comments of the Management	Recommendation
(a) The government grant (project) of Rs.54,040,042 indicated under non-current liabilities had been brought forward since many years without accurately accounting and the relevant documentary evidences related to confirmation the existence and accuracy of said balance had not been submitted to the audit.	54,040,042	Relevant schedules in relation to confirm the balance	These balances had existed prior to 2010 and it was difficult to rectify due to inability of finding an exact information.	The government grants should be accurately accounted and the relevant documents for confirmation the accuracy of balance should be submitted.
(b) Within the accrued expenses under the balance payable, a unidentified balance of Rs.413,340 had been shown and its existence and accuracy had not been verified.	413,340	Journal notes and confirmation documents	This balance which exists as unidentified in the accrued account are the payments made by change of accounts. Since this balance had existed on a transaction occurred in a previous year in	The step should be taken to rectify it.

			any way, the action will be taken to rectify in 2025 as adjustments in preceding years.	
(c)Since the source documents and balance confirmations for a creditors' balance of Rs.30,249,085 and 74 agricultural modernization project debtors' balances of Rs.33,575,680 in the financial statements in the year under review had not been submitted for the audit for verification, its existence and accuracy had not been verified to the audit.	30,249,085 33,575,680	Balance confirmation and source documents	The creditor's balance of Rs.33,575,680.00 is the money recoverable on the loans provided under agricultural modernization program. The recovery of such money had been carried out only at the end of year and the action will be taken to send the confirmation letters in 2025. Moreover, the action will be taken to send the confirmation letters for creditors' balances in 2025 also.	The source documents and balance confirmations should be submitted.
(d) Since a fixed assets register had not been maintained by Authority, it couldn't be verified the existence and accuracy of the value of Rs..2,703,182,770 of property, plant, equipment and Rs.854,727,329 of hatchery balance.	2,703,182,770 854,727,329	Fixed asset register, valuation reports	It is due to considered to take action for maintenance of an accurate fixed asset register category by category or after valuation.	A formal fixed asset register should be maintained.
(e) A credit balance of Rs.74,981,435 had been shown as at 31 December in the year under review by the name of Divi Neguma Agreement and no	74,981,435	Balance confirmation letters, schedules	The concurrence of the Treasury had been obtained for utilization Rs.53 million from this balance for providing the fingerlings on	The balance confirmation letters should be presented.

any evidence related to verification the accuracy of such balance had been submitted to the audit.			credit basis for enhancement of aquaculture. Accordingly the approval of Board of directors had been obtained for maintenance this balance as a fund for providing fingerlings on credit basis and maintenance of all funds under one bank account as separate expenditure heads after submission to the Board of Directors. Accordingly, this fund named as Divi Neguma is due to converted to a common fund for depositing the fish seeds.	
(f) The stock survey had been carried out only in 05 centres out of 21 centres including the head office of Authority and since a difference of Rs.2,354,710 had been observed between the final stock indicated in the financial statements and the stock reports provided by such centres, it couldn't be verified the accuracy of the stock balance of Rs. 105,258,129.	105,258,129	Stock survey reports, stock schedules	Since the final accounts should be submitted to the Auditor General up to 28 February, the only information on which the stock survey had been carried out had been forwarded. As there is no adequate employees available in the Finance Division for performing the stock surveys in 21 centres, The sock survey had been completed in 05 centres on 05 February 2025.	The correct stock balances should be accounted in the financial statements.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit issue	Comments of the Management	Recommendation
(a)	There is a balance of Rs.23,557,079 receivable from 84 debtors as at 31 December 2024 and a balance of Rs.17,471,907 between 01-03 years, Rs.664,683 between 03-05 years and Rs.5,420,489 exceeding 05 years had existed within it and no formal action had been taken by Authority to recover such balances.	Presently, fish seeds are only issued to the public institutions on credit basis and after a committee will be appointed to recover fish seed loans, the follow-up activities will be carried out. Furthermore, after paying more attention for providing fish seed loans, the action had been taken to issue an internal circular to perform it in formal manner.	The formal measures should be taken by Authority to recover loan balances.
(b)	The formal steps had not been taken by Authority to recover the loan balance of Rs.3,162,500 provided to the external parties under Divi Naguma Project which was recoverable as at 31 December 2024.	The action is being taken to recover the loan amount of Rs.3, 162,500 provided to the external parties under Divi Neguma Project and relevant Aquaculture Extension Officers had been made aware to take necessary arrangements to recover these loans.	The formal steps should be taken by Authority to recover outstanding loan balances.
(c)	An amount of Rs.23, 184,119 was recoverable as at 31 December 2024 with regard to 2023 and 2024 from 06 private institutions on which fish aquaculture centers had been provided on lease basis by Authority and no formal measures had been taken by Authority to recover such lease rentals.	The letters had been sent to the relevant institutes informing to pay this outstanding money.	The formal steps should be taken by Authority to recover lease rentals.

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

Reference to laws, rules and regulations	Non-compliance	Comments of the Management	Recommendation
(**b**)Financial Regulations of Sri Lanka Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 104 and 105	An amount of Rs.119,966,304 had lost to Authority from 05 construction contracts and fish food purchase and that amount had not been recovered from relevant parties after identifying the responsible parties in that regard and conducting inquiries as per Financial Regulations.	An inquiry had been conducted on the renovation activities of Muruthawela aquaculture development centre as per Financial Regulations 104 and identified the responsible persons and the relevant formal inquiry is being conducted now. An inquiry had been conducted as per Financial Regulation 104 in relation to purchase of fish food and it had been provided to an independent inquirer for providing the report and an inquiry had been performed in relation to constriction contracts of Sevanapitiya ornamental fish hatchery and Walikanda fish hatchery by an independent expert on subject. The all securities in relation to the completion of remaining work of Muruthawela Aquaculture centre had been uncashed and since a case related to this is being heard in the court it is expected to take further action as per its verdict.	The action should be taken as per Financial Regulations.
(ii) Financial Regulation 137 (2)	An amount of Rs.18,888,505 had been paid to the relevant supplier for the fish food supplied without quality in the year under review in contrary to the Financial Regulations.	It had been highlighted by NARA report that the fulfilment of Protein and Lipids requirement of the fish food supplied by the supplier was in a considerable level and the recommendation of the special committee appointed	The action should be taken as per Financial Regulations.

			for 46,070 kg fish food such as CF-00, CF-01, TF-00, TF-01 and TF-03 fulfilled the Protein requirement as per such inquiry report. The approval and recommendation of the management had been given to such committee recommendation and these payments had been made on such recommendations and approvals.	
(iii)	Financial Regulation 396 (d)	No action had been taken as per the Financial Regulations in relation to 73 cheques totalling to Rs.1,180,586 exceeded 06 months but not presented for payment as at 31 March 2025 related to 02 bank accounts.	The cheques with a value of Rs.2, 300,000 from the value of cheques not presented for payment in account No. 003270048 in Bank of Ceylon up to March 2025 had been cancelled. The action is being taken to cancel this small balance amount of cheques and cheques not presented for payments in Account No. 208100483320761 of Peoples' Bank.	The action should be taken in relation to cheques not presented for payment as per Financial Regulations.
(c)	State Accounts Circular No. 30/94 (4.4) dated 20 April 1994	Even though the foreign grants should be received to institute through the line ministry after making provision to the expenditure estimates with regard to foreign aids used by the public corporations, no step had been taken as per such provisions in relation the foreign grants of Rs.65,768,991 received to authority in the year under review.	Since this project had been approved by the Department of External Resources, the provision receivable to our Authority for this had been directly issued to our Authority by Australian Government.	The action should be taken as per the provisions of State Accounts Circular in relation to the foreign grants.
(d)	Circular No. MOEF/ERD/2011/ 01 dated 21 April 2011 Circular and MOEF/ERD/2014/ 01 dated 26 June 2014 of Department	Though the Department of External Resources should be made aware on providing foreign grants and entering into agreements and the approval of the Treasury should be obtained,	Under the aids of Games Cook University of Australian Government in association with University of Wayaba University of Ruhuna and National Aquaculture Development Authority of Sri	In accounting with foreign grants, it should be complied with the Circular of Department of External

of External Resources	obtained, no action had been taken in that manner with regard to the foreign grants of Rs.65,768,991	Lanka, ACIAR Project is implemented as a scientific research project in selected 48 tanks in 10 districts in Sri Lanka. The objective of this project is to obtain a higher productivity from fresh water prawns in fresh water tanks in Sri Lanka.	Resources.
(e) Circular No. PS/APL/ Circular/02/2024 of Secretary to President	Even though the project progress review should be carried out once in two weeks in regional and district level in relation to the loan amount of Rs.34,650,000 provided under Agriculture Modernization Program, such review had been performed on only 33 beneficiaries out of 74 up to 21 March 2025.	These activities are carried out once a month due to shortage of officers.	The action should be taken as per the circular instructions of the Secretary to the President.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs.153,418,122 and the corresponding deficit in the preceding year amounted to Rs. රු.376,846,864.Accordingly, a deterioration of deficit amounting to Rs.223,428,742 of the financial result was observed. The reasons for the decrease of deterioration are increase of gross profit by Rs.33,838,487, growth of fish seed income by Rs.18,500,477, increase of government recurrent grant by Rs.63,943,298 and capital grants by Rs.111,130,025 and decrease of cost of sales by Rs.15,338,011 and distribution expenses by Rs.39,519,367.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Comments of the Management	Recommendation

(a)	The prawn hatchery located in Puddukudiirppu, Batticoloa had been leased to a private company for a period of 05 years since 02 December 2021 and this agreement had been terminated on 01 July 2024 before the end of period of lease. If the agreement is terminated before relevant period of time, a performance security similar to 50 percent of annual lease rental or Rs.3,000,000 should be obtained for recovery the loss occurred to Authority as per Condition 21 of agreement. But such performance security had not been obtained. Even though the hatchery and the inventory goods had been handed over to the officers by relevant company, no action had been taken to recover the outstanding lease rental of Rs.5, 885,000 due to Authority.	The letters had been sent to the relevant company by informing to pay an amount of Rs.5, 885,000 due from 01 September 2023 to 30 June 2024.Accordingly, a discussion for recovery the lease rental had been conducted on 21 March 2025 with the management of relevant company. Accordingly, lease rental is due to be recovered.	The formal measures should be taken to by Authority to recover outstanding lease rentals.
(b)	No step had been taken to recover an amount of Rs.1,540,507 recoverable to Authority in relation to the contract cancelled in 2022 up to 31 December of the year under review.	An inquiry had been conducted in relation to the contract cancelled as per Financial Regulation 104.	The measures should be taken to recover the money due for Authority related to the contract.
(c)	After a long-term extension had been given due to failure of the construction of Welikanda and Sevanapitiya fish hatcheries, those had been liquidated. Since it had failed to obtain the favourable decisions to the institute by mentioning reasonable facts to mediation and arbitration, an amount of Rs.55,388,945 for revenue loss to the contractor, payment of late fee charged again and relevant interest had to be paid to the contractor by Authority.in addition to this amount, an	It had been forwarded to the arbitration for obtaining more advantageous judgement than mediation and an advantage had occurred to Authority from it. No any additional amount had been paid except the contractual liabilities payable as per the contact agreement. Though the performance security related to this contract had been forwarded to bank within the valid period, it was refused to provide the	The action should be taken to recover the money lost to Authority.

	aggregate of Rs.69, 752,690 had lost to the Authority owing to encashment of the performance security of Rs. 14,363,745 within the due period of time.	money.	
(d)	A trilateral agreement had been entered on 02 December 2021 with a private investment company, crab cultivation aquaculture organization and Authority for brackish prawn cultivation in Hambanthota and the operations had been commenced. Though an amount of Rs.221,719,566 had been incurred for this project as at 31 December 2021 as per the financial statements of Authority, only an amount of Rs.193,460,000 is obtained by Authority as lease rental within 30 years from private investment companies as per condition 10 of agreement. Therefore, it was observed that at least the expense incurred by Authority had not been recovered.	An amount of Rs.28,259,566 indicated here was the government investment made for waste water treatment unit constructed on recommendations of Central Environmental Authority as an infrastructure provided to this project commenced as an ecofriendly model aquaculture (prawn) pilot project for in the investors in Southern province by National Aquaculture Development Authority of Sri Lanka.	The action should be taken as per the duties and functions entrusted to Authority by Act.
(e)	Since the net present value of the amount of Rs.193,460,000 expected to be recovered from the investment company within future 30 years as the lease amount is Rs.69, 120,470, it was observed that a financial loss of Rs.124, 339,530 will occur in comparing with the future cash flows. (Discount rate = Average value of treasury bills rate in previous 10 years (2012-2021) - 8.53 percent - Source : Annual Report of Central Bank of Sri Lanka 2021) Further, the Authority had to bear an overall financial loss of Rs.152,599,096 with the financial loss of Rs.28,259,566 indicated in observation (i).	A policy decision had been taken to recover the money incurred for pons and related constructions of this project for attraction the investors as a pilot project on concessionary basis at the Ministry Procurement Committee and ad agreement discussion committee. Accordingly, it had been decided to recover relevant money from the investor in 30 years.	The action should be taken not to occur a loss to Authority in entering into agreement under Public private lease agreements.

(f)	In terms of section 5.4(g) of National Aquaculture Development Authority of Sri Lanka Act No.23 of 2006, the carrying out the businesses as importer ,exporter, seller, supplier and distributer of aquatic resources are the functions of the Authority and it was further observed that without taking action accordingly, the duties and functions entrusted to Authority by Act had been assigned to the external parties by occurring a financial loss to Authority and entering into agreement as advantageous to a large scale private company as mentioned above.	This project had been implemented to achieve the facts such as assistance to the persons who engage in aquaculture and the persons who engage in aquatic resources development as importer, exporter, supplier, distributor, and seller of aquatic resources specified in the Act.	As specified in section 5.4(g) of National Aquaculture Development Authority of Sri Lanka (Amendment) Act No.23 of 2006, the steps should be taken as per the functions of Authority such as carrying out businesses as importer, exporter, seller, supplier and distributer.
(g)	Even though an amount of Rs.107.6 million had been incurred from 2017 to 2022 for development of the infrastructure facilities for 04 lands in extent of 1361.76 hectares on which Authority has no ownership and a land on which the extent couldn't be identified, no any project had been started so far and said expense had become an idle expense.	The main reason for the delay of commencement these projects is spending a long period for release these lands practically. The action is being taken to start Galmulla project in this year and since it is due to be commenced the other projects in due course, an amount of Rs.107.6 million incurred for these projects is not an idle expense and it is an investment made for preparedness for such projects.	The action should be taken to commence this project after settling the land.

3.2 Operational Inefficiencies

	Audit Issue	Comments of the Management	Recommendation

(a)	An amount of Rs.62,719,414 had been paid from 2021 to 2023 for construction of small scale fish seed units for production of post larvae in the lands on which the Authority has no ownership and no any benefit had been gained to Authority from that up to now.	The necessary action required for transfer the ownership of the lands are being performed by Legal Unit and the fingerlings had been produced by these fish seed production units improved with an objective of enhancing the production of fingerlings up to now and it had been commenced the release to the reservoirs also.	The grants provided by Government should be invested enabling to gain a benefit.
(b)	37 tanks in an area of 31,764 square metres of Udawalawa Carp hatchery had been idle due to water shortage and huge water leakage.It had taken a higher percentage like 46 percent of overall tank volume. It was observed in the physical investigation held on 11 August 2025 that 08 tanks in R type and 06 tanks in C type out of these idly tanks had become weedy and unidentified and it was unable to access to such tanks. Furthermore, small water leakages had existed in 16 fish tanks with 14,800 square metres and those had been utilized without repair of such small leakages.	These ponds had existed in unusable condition at the period of time of commencement of Aquaculture Development Centres in 1994. About Rs.15 million is incurred for renovation of this pond and It will be incurred about Rs.90 million for all ponds- C. Since there is no adequate water supply owing to the issues in the water supply received to Udawalawa centre, the renovations had been carried out by incurring such expense and the useable time period is about 04 months per year. Therefore, the attention had not been paid for renovation these ponds.	The measures should be taken to utilize the fish tanks with maximum efficiency.
(c)	A cost of Rs.6, 517,156 had been incurred by Authority by providing a contract to a private company in 2019 for renovation by using Geomembrane method for prevention the water leakages prevailed in o5 tanks in R type of Udawalawa Carp hatchery. However, it was observed the water leakages of these 05 tanks made Geomembrane even up to 11 August 2025 which was the date of audit and it had been verified that there were water leakages in 02 tanks which were not in usable condition. Accordingly, such task had become idle and said amount incurred had become an idle expense.	The water leakages had started due to the pressure created by the water vapour in the ponds on which Geomembrane method had been used when there was no water and it is due to be renovated and utilized these ponds from the funds in 2026 subsequent to restoration of the water supply.	Having carried out the renovations of fish tanks properly, the action should be taken to utilize those with maximum efficiency.

(d)	An amount of Rs.7,500,219 had been incurred for renovation of Chinese fish hatchery which is one of fish hatchery existed in Udawalawa Carp hatchery and it had been taken over from the contract company on 11 March 2024 after certifying by Engineer of Authority that relevant task had been successfully completed. Even though one year and six months had elapsed up to 30 August 2025 from issuance of handing over certificate after successful completion, this hatchery had not been renovated for usable condition and it was observed that the construction equipment of the relevant contract company had been piled up in the site premises without removal at the physical investigation.	After first renovation of Chinese fish hatchery, it had been temporarily utilized up to 15.06.2025 and after that the equipment of the contractor who had undertaken the repairs from 20.06.2025 had available in the centre. Said contract had not been completed yet.	After properly carrying out renovations of fish hatchery, the action should be taken to utilize in maximum.

3.3 Idle or Underutilized Property, Plant and Equipment

	Audit Issue	Comments of the Management	Recommendation
(a)	The food production activities had not been carried out in 2024 by fish food production machine with a value of Rs.11, 802,000 established in Udawalawa Thilapia Food Processing Centre on 08 October 2019 for producing the food for Thilapia fish and the machine had been idle even up to 04 April 2025 which was the date of audit.	After studying on this matter and suspending the calling expression of interest by new Chairman, the instructions had been given by him to carry out the preliminary activities for commencement of the food production again by fish food production unit. Accordingly, the renovation activities of fish food production machine in January 2025.Such activities and running tests had been also completed.	The fish food production should be used for production activities.
(b)	Even though 05 lands in extent of 14 acres 137.0294 hectares had been obtained for aquaculture promotion	The land in extent of 137.0294 hectares belonging to department of Forest	The action should be taken to utilize after transfer the

	activities by Authority on transfer of Government lands, said had been idle without utilization for aquaculture promotion activities.	Conservation reserved for the aquaculture in Mannar district had not been handed over to Authority. It had not been completed the handing over or transfer activities of the land in extent of 02 acres reserved for the construction of sea weed tissue planting centre in Jaffana district through Divisional Secretary. Even though the necessary action is being taken to reserve the land in extent of 02 acres for the construction of sea cucumber hatchery in Mullativu district, no activities had been carried out to reserve or hand over it to Authority. Since the Government couldn't allocate the financial provisions for construction of a coastal aquaculture training centre in a land in extent of 4.0469 hectares in Mannar district in Northern Province, the obstructions had arisen to commence this project. It had been planned to obtain the aids from other financial sources. Though a land had been reserved for Vauniya Aquaculture Extension Office, it had not been taken over yet.	land.
(c)	The Dambulla Genes Laboratory building with a value of Rs.17,041,113 completed the constructions and handed over to Authority on 30 March 2022 had not been utilized up to date.	The constructions of fish genes laboratory had been completed in 2022.Since the adequate provisions had not been received for the procumbent activities for scientific equipment in line with the construction of laboratory and a long period of time had been taken for the procurement activities, it was delay to commence the operations in the laboratory within that year.	The action should be taken to start the operations of the laboratory.

(d)	08 equipment with a value of Rs.6,308,429 purchased by Authority for Dambulla genes laboratory had not been utilized up to date.	In addition to the equipment purchased for the laboratory, it couldn't be used 08 original equipment on inability for completion other equipment required for relevant research process.	The equipment should be utilized.
(e)	Even though an amount of Rs.4,683,789 had been paid in 2016 and 2017 for consultancy services company without completion the consultancy services for the construction of aquaculture park, Rs.1, 538,750 had been paid to such company in 2022 for other construction also. However, since the constructions had not been completed, the expected objectives had not been fulfilled and the payments had become an idle expense.	An amount of Rs.4, 683,789 had been paid to relevant consultancy services institute during 2016-2017 for preparation of the plans related to establishment of an aquaculture park in Mankarni of Koralepattu North Divisional Secretariat Division in Baticoloa district and for the preliminary plans of Mannar Wedilatheevu aquaculture industrial zone and those had been completed within relevant period. But It had been informed to Department of Forest Conservation that 239 hectares out of 950 hectares proposed for Mankarni North project can be released and the action is being taken to release that land. The coordinates for 154 hectares had been provided for Kokkodicholai project and it had been applied for environment evaluation.	The relevant construction activities should be expeditiously completed.
(f)	Even though 05 fish hatcheries had been constructed at a cost of Rs.894,766,888 with the basic objective of enhancing the fish production, an income of Rs.8,481,123 had been obtained from sales of 6,257,241 fingerlings only in Sevanapitiya and Mannar hatcheries out of 05 from 2020 to 2024. As at 31 December 2024, Mannar sea cucumber hatchery had been leased on a monthly rental of Rs.25, 000 and only Sevanapitiya ornamental fish centre had been operated. The remaining 03 centres were not in operational level.	The hatcheries are constructed to fulfil the special technical requirements and it is not justifiable to consider the progress based only its financial value. The specific objectives are fulfilled from every hatchery constructed and the Authority couldn't properly carry out the breeding activities of all hatcheries in expected level due to problem of recruitment of employees. Subsequent to receipt of approval for new recruitments and completion of the relevant staff, these centres will be contributed for achievement the production capacity as per annual plan.	The fish production centres should be directed towards objectives.