

National Aquatic Resources Research and Development Agency - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Aquatic Resources Research and Development Agency for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 policies, 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 Aquatic Resources Research and Development Agency Act No. 54 of 1981, National Audit Act No. 19 of 2018, and Finance Act No. 38 of 1971. My comments and observations which I consider should be report 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 Agency as at 31 December 2022, and of its financial performance and its 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 Agency'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 intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Audit Scope (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 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 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 Agency'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 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 Agency and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Agency has complied with applicable written law, or other general or special directions issued by the governing body of the Agency,
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance Reference to Standard	with Relevant	Comments of the Management	Recommendation
(a) In preparing the statement of cash flows under the direct method, reconciliation of the net cash flow from operating activities with the normal operating surplus or deficit and disclosure either as part of the cash flow or as a note in the financial statements had not been made in terms of Section 29 of Sri Lanka Public Sector Accounting Standards 2 .		Agree. Arrangements will be made to correct in the future.	Necessary disclosures should be made in the cash flow statement in terms of the Standard.

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| <p>(b) Revaluation of non-current assets cost at Rs. 4,628,125,254 as at 31 December 2019 had not been made in terms of Section 47 of Sri Lanka Public Sector Accounting Standards 07 . Further, out of the land which are currently being used valued at Rs. 3,231,216,479 , the ownership of the lands of Rakava, Kadolkele and Kalpitiya had not been taken over and the revaluated amount of Rs. 268,750,000 in the year 2014 had not been brought to accounts.</p> | <p>Taking actions on revaluation have been commenced.</p> <p>Necessary disclosures have been made under Note No. 18 .</p> | <p>Non-current assets should be revaluated as per the Standard and actions should be taken to take over the assets which are still being used.</p> |
| <p>(c) Even though the land of 03 acres had been taken on lease for a period of 30 years from 16 February 2022 for the construction of a multi-species fish hatchery complex in Kudawa area of Kalpitiya, the construction was done in that land at a cost of Rs. 1,631,963 before taking over, that is in the year 2020 and it has been shown in the work-in-progress without being completed the construction. As this construction was stopped during the construction without being completed, the necessary activities had not been carried out in terms of Paragraph 77 of Sri Lanka Public Sector Accounting Standards 07 .</p> | <p>The development of the land has been delayed on non-payment of the relevant amount.</p> <p>The ability to perform these tasks with the help of Government of India is being looked into.</p> <p>A fence has been built and I would like to point out that this is not a useless expenditure.</p> | <p>Necessary arrangements should be made in terms of the Standard.</p> |
| <p>(d) A sum of Rs. 284,479,598 received as at 31 December</p> | <p>The consent is expected to carry out the presentation of</p> | <p>Revenues should be accounted for</p> |

2022 as grants of this year and previous years had not been brought to accounts as income in terms of Section 95 of Sri Lanka Public Sector Accounting Standards 11 . In addition to that, the computers valued at Rs.4,141,347 purchased for a project had not been credited to the income of the year as assets and as government grants , Further, The amount of Rs.7,814,050 paid as purchase advance had not been debited to the advance account and credited to the income as government grant .

accounts in respect of grants from the year 2023 in accordance with Sri Lanka Public Accounts Standard No. 11 .

according to the Standard and advances should be properly brought to accounts.

(e) Although it is the policy of the Agency to prepare accounts in accordance with Sri Lanka Public Sector Accounting Standards, in contrary that, Sri Lanka Accounting Standards 17 and 20 had been adopted for leasehold properties and government grants.

As it takes considerable time to check for years to make adjustments, it has been informed that this will be adjusted from the year 2023.

Leased properties and government investments should be properly brought to accounts according to the relevant Standard.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though a sum of Rs.3,813,117 had been shown in the cash flow statement of the year under review under investment activities, as purchases of property, plant and equipment, investment activities had been understated by Rs.15,091,554 since the	The amount of Rs. 15,091,554 has been reconciled in the cash flow statement as mentioned below. A sum of Rs. 2,026,004 under other expenditure and Rs. 13,065,550 under consultancy services costs	Actual values should be represented in the cash flow statement.

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| actual purchase value was Rs.18,904,661 . | have been reconciled in the statement of cash flows statement. | Actions will be taken to show this under investment activities in the future. |
| (b) Even though Rs.40,826,124 had been paid for the project expenses, the cash flow from operating activities had been understated by this amount due to failure of showing it under operating activities in the cash flow statement. Further, the project expenses were Rs. 42,759,704 shown under financing activities instead of being shown under operating activities in the cash flow statement. | Actions are being taken to check in this regard and necessary adjustments will be made in future financial statements to correct them if there is any difference. | The cash flow statement should be accurately presented. |
| (c) It has been understated the work in progress by Rs.298,615, advances by Rs.1,171,733 and retention money by Rs.1,470,247 due to failure of accounting of bill paid on 31 December 2022 for contract for construction of marine hatchery and the retention money and work-in-progress account of the contract related to construction of boundary fence in Kalpitiya had been understated by Rs. 268,380 . | Actions will be taken to make necessary adjustments and show in the preparation of accounts for the year 2023 . | Payments made for capital construction should be accurately brought to accounts. |
| (d) As the amount of Rs.981,852 paid for the laboratory cupboards installed in the building itself was brought to accounts under research and development expenses, the | Actions will be taken to make necessary adjustments and show in the preparation of accounts for the year 2023 . | Capital fixtures should be accurately adjusted. |

building account and profit for the year under review had been understated.

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| <p>(e) Although it has been confirmed that no amount to be received from the officers holding personal file numbers 707,724 and 901, the staff loans amounted to Rs.142,012, Rs.57,275 and Rs.12,047 had been shown as receivable as at 31 December 2022. Even though it was assured that there is nothing to be recovered from the former Director General, it was also indicated that a balance of Rs. 370,718 is receivable from the officer under the employee debtor balance.</p> | <p>Actions will be taken to correct these errors in the preparation of the financial statements 2023 .</p> | <p>Actions should be taken to accurately recover and account for the amounts receivable to the Agency.</p> |
| <p>(f) The provision for depreciation of Rs. 4,267,179 had not been made for the fixed assets amounted to Rs.42,671,795 .</p> | <p>Actions will be taken to correct in the preparation of the financial statements 2023 .</p> | <p>Appropriate provisions for depreciation should be made for fixed assets.</p> |
| <p>(g) A fish feed production machine valued at Rs. 16,868,610 had been received as a donation in the year 2018 and the value of the machine had not been brought to accounts. This machine was installed on the land of a private company for the production of fish feed and the machine was leased out and the monthly installment of Rs. 150,000 should be paid to the Agency from 05 June 2020 as per condition 8 of the agreement,, as no amount has</p> | <p>Failure of taking into Inventory
It has not been accounted for as a fixed asset although this asset has been handed over to the Agri Star institution located in Peliyagoda, since the institution has not been properly notified and due to non-issuance of Goods Received Notes.</p> <p>They have informed that the expected product could not be obtained. The technical faults of the machine has</p> | <p>Ownership and existence of assets should be disclosed through the accounts.</p> |

been paid so far, so the amount receivable for 31 months amounted to Rs. 4,650,000 was lost to the Agency and it had not been accounted for as accounts receivable. As this machine was not disclosed by Board of Survey Reports, its existence was also not confirmed.

mainly affected to this. Therefore, the relevant payments have not been made.

(h) Although the gratuity expense related to the year under review was Rs. 11,148,995 as per the main ledger and Note No. 11, the amount had not been brought to accounts as expenses. Although the balance to be paid for this, at the end of the year was Rs.135,936,911 as per the ledger, it had been brought to accounts as Rs.105,551,761 and Rs.19,222,513 as income in the financial statements for the year under review.

Actions will be taken to make necessary adjustments and to correct this error in the preparation of the final accounts for the year 2023 .

The gratuity expenses, payable balances and income should be accurately brought to accounts.

(i) Although all the remaining money after the completion of the work should be credited to the government revenue if it is not claimed, a sum of Rs.5,306,016 out of non-functional projects amounted to Rs. 6,370,037 was transferred as non-functional funds and a sum of Rs.1,203,186 had been accounted for as income during the year under review.

These projects are not government funded and are monies provided by individual agencies for advisory projects and withheld on non-confirmation of payments. Accordingly, this amount cannot be credited to the government revenue. Actions have been taken based on the recommendations of the Audit and Management Committee to use the relevant money to maintain or repair the equipment purchased through these

Unclaimed balance should be credited to the government revenue.

projects and for modernization on non-use of said balance.

The power to act in this regard is vested in the Governing Council according to the National Aquatic Resources Research and Development Agency Act No. 54 of 1981.

Since it was confirmed that it was a direct remittance made by the International Hydro Graphic Office for the sale of hydrographical sector mappings, it has been corrected by a journal entry in the year 2022 .

- (j) Making provision a percentage of 20-35 per cent of the consulting service income for the institution as per 7.1.4 of Public Finance Circular No. 1/2020 dated 28 August 2020 , it should be credited to a fund in terms of 7.1.5 of the Circular. Nevertheless, the amount of Rs.18,714,642 so charged had been accounted for as income in the year under review without being credited to a fund. A medical fund was created to reimburse the medical bills of officers not covered by this circular and 5 per cent that is Rs. 2,211,650 had been reserved during the year under review and the balance of that fund was Rs.4,965,714 as at 31 December 2022 .

Accounting is correct as per the Public Sector Accounting Standard. Accounting according to the Sections 29(1) 2 (a) (b) (c) of National Aquatic Resources Research and Development Agency Act No. 54 of 1981, is correct.

Although after considering 20%-35% of the balance left after deducting direct expenses and taxes from the money received by providing a consulting service as bonus income, the remaining balance can be paid to direct and indirect staff, actions have been taken to pay for employee contribution after creating a fund for medical and welfare activities of 5%

The Agency should act as mentioned in the Circular.

on the approval of the Governing Council.

Requests have been made to use this balance for the development of the human resources of the institution's staff in the future.

1.5.3 Lack of Written Evidence for Audit

Item	Amount	Audit Evidence unavailable	Comments of the Management	Recommendation
(a) Written evidences such as relevant bills, agreements for the balance of Rs.8,143,254 over 05 years within the balance of Rs.25,878,728 payable to external parties were not submitted to audit and actions had not been taken to examine these balances and to credit to the government revenue if not claim.	8,143,254	Relevant bills, written evidence such as, contracts etc.	I accept the deficiency of not submitting documents for audit. I will make sure that this does not happen in the future.	Evidence documents should be submitted for audit and unclaimed balances should be credited to government revenue.
(b) Fees should be estimated based on direct costs and overhead costs as per Guideline No. 11 of Part II Para 7.2 of Public Finance Circular No. 01/2020 dated 28 August 2020 and 20-35 per cent of the remaining amount after deducting the direct cost from the levied fee, 5-10 per cent for overheads and 65-85 per cent should	79,491,371	Fees charged for consulting services are estimated based on direct costs, overheads and margins as per circular and the details of how those fees are calculated.	Information with the relevant calculation will be submitted.	Required information for audit should be submitted.

be used to pay the officers directly and indirectly involved. Nevertheless, an amount of Rs. 79,491,371 had been incurred in the year under review, as consultancy service expenses without showing the direct cost incurred, overhead cost and the direct and indirect cost paid to each officer separately in the ledger. Accordingly, as the cost of each item was not confirmed the correctness of this could not be satisfied. Also, according to this circular, the fee charged for consulting services is estimated based on direct cost, overhead cost and profit, and the way of calculating those fees was not submitted to the audit.

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| <p>(c) Paying an amount of Rs.302,866 during the year under review to a private entity not under V-5066 project creditor individual balance at the end of the year 2021, an amount of 202,679 had been accounted for as payable to that creditor at the end of the year and the accuracy of it was</p> | <p>202,679</p> | <p>Accuracy of the type where the accounts were kept for creditors not under individual balances.</p> | <p>As it is proposed to purchase equipment for project works under the provisions of the Ministry, this amount has been retained.</p> | <p>Information expected for audit should be submitted.</p> |
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not confirmed by the audit.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
Out of trade and other receivable balances of Rs.21,546,893, recovery of advances, other debtors and employee loans amounted to Rs.1,328,522 for more than 05 years were in uncertain condition.	Actions are being taken to recover.	Actions should be taken to collect outstanding balances promptly.

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

Reference to Laws, Rules, and Regulations etc.	Non-compliance	Comments of the Management	Recommendation	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	(i) F.R. 137 (5)	A sum of Rs.7,814,050 had been paid by December 2022 for goods received in the year 2023 in contrary to the regulation.	An amount of Rs.1,651,521.00 was paid to the Government of Sri Lanka State Trading Corporation for obtaining limited stock due to prevailing economic instability. The foreign exchange payment for the remaining amount was made in accordance with the conditions of the supplier. These companies are major international research	The organization should act in accordance with the regulations.

equipment manufacturing companies and since Sri Lanka rarely buys a single piece of equipment, the relevant conditions have to be agreed upon and bargaining power is very low.

Institutions that formulate policies as well as audit should also pay attention to these issues.

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| (b) Section 11 of Part Two of the Finance Act No. 38 of 1971 | The amount of Rs. 15,000,000 received by the agency from the Ministry, other government institutions and private institutions and remaining to be spent in the future had been invested in short-term fixed deposits without being deposited in the treasury as per the Act. | The approval of the General Treasury has been obtained for this. According to Section 30 of the Act, the Governing Council has the power to approve this. | Money should be invested according to the relevant laws and regulations. |
| (c) Procurement Guideline

(i.) Procurement Guideline 5.4.5 | In the two procurements for the purchase of Anti-Depredation Pingers equipment and Temperature Depth Recorder (Temperature Depth Recorder), the total amount of Rs. 7,931,201 had been paid before receiving the goods in the year 2022 and | As these companies are international major research equipment manufacturing companies and Sri Lanka rarely buys a single piece of equipment it had to agree to the relevant terms and bargaining power is very low. Adverse impact of ongoing economic destabilization and foreign classifications as a bankrupt state from 2022. It should pay | The institution should take steps to obtain necessary assurances while paying the advance. |

		actions had not been taken to obtain any advance security.	attention on such matters in the audit as well as the policy makers.
(ii.)	Procurement Guideline 8.9.1 (b)	Agreements had not been entered into for all the three procurements for the purchase of the above two devices and a Light Weight Dual Frequency Echo Sounder valued at Rs.1,889,975 .	The above explanation are applicable. Contracts shall be entered into in accordance with the requirements of the Procurement Guidelines.
(iii.)	Supplementary 35 of the Procurement Guidelines	Although direct contract procurement should be followed only up to Rs.500,000 in contrary to that, the direct contract method had been adopted for the two procurements in (c) (i) .	Not agree. These companies are the sole suppliers of the respective products. The Agency should act to select the applicable procedures as per the Procurement Guidelines.
(d)	Asset Management Circular No. 05/2020 dated 02 October 2020 of Ministry of Finance	The two dilapidated vehicles with registration numbers 58-1378 and 251-0577 which were identified to be disposed on 05 February 2019 had not been disposed.	Only one vehicle of the year 2023 is left for disposal by now. Vehicles should be disposed of as per the circulars.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was an improvement of Rs.67,477,464 and the deficit as against to that was Rs.3,457,924 in the preceding year. Accordingly an improvement of Rs.70,935,388 was observed in the financial result. Increase in project consultancy services

revenue by Rs. 74.4 million, and other income by Rs. 11 million and the increase in excess in bonus by Rs.19 million had mainly attributed to this growth.

3. Operating Review

3.1 Identified Losses

Audit Observation	Comments of the Management	Recommendation
<p>The contract was awarded to a private company on 07 October 2020 for the construction of a Marine Hatchery Center at a value of Rs.34,993,077 and even though an amount of Rs.15,937,388, including the advance, had been paid to the contractor by 31 December 2021, the construction was terminated whilst building , the cost had become futile. Due to this, the advance amount of Rs.2,432,290 paid could not be recovered and the performance security valued at Rs.1,746,654 had also expired on 18 March 2022. The management had not taken steps to extend or even cash the said security and it was not revealed in audit that the officers responsible for the loss were identified and actions against them were taken .</p>	<p>The Engineer has mentioned that he has completed more than 50% of the work on this contract.</p> <p>The supplier has stopped working due to the unaffordable increase in the prices of goods and services From the year 2022 .</p>	<p>In carrying out the contract construction, the Institution should operate in an effective, in a way that is active and loss-free manner and actions should be taken to recover the losses.</p>

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>The objectives and tasks mentioned in the following Section 4 of the National Aquatic Resources Research and Development Agency Act No. 54 of 1981 had not been fulfilled.</p>	<p>A feasibility study was carried out by the Nara Fishing Technology Division on promoting pole and line fishing method for catching Tuna and changing the specifications of the existing grill nets. A detailed study was conducted on changing and improving the net specifications of grill nets in an environmentally friendly manner for a sustainable</p>	<p>Actions should be taken to achieve all the objectives and functions of the Agency.</p>
<p>(a) Improvement and development of fishing vessels, fishing gear and equipment and fishing methods.</p>		

fish harvest, and recommendations were given to the Ministry.

The Ministry of Fisheries will continue to monitor the changes in the surrounding marine environment, fish production, fish populations and changes in its composition related to dilapidated vehicles and boats that have been sunk as fish gathering equipment in Trincomalee sea area.

Launching more vessels in order to increase the beneficiaries of lobster fishing industry, to make direct recommendations to make decisions related to the lobster export economy by finding the space available for landing them and giving a technical report.

Investigating the prohibited fishing methods through formal scientific research and providing the necessary recommendations to the Department of Fisheries and the Ministry of Fisheries to introduce environmentally friendly fishing methods.

Carrying out surveys on Indian trawlers and Sri Lankan fishing trawlers in the North and North-West ocean regions of Sri Lanka and mapping of new fishing areas and providing necessary reports to the Ministry of Fisheries.

By conducting a scientific study on the effects of prohibited net gear etc., and providing expert reports to the Honorable Court, motivating fishermen to eliminate the use of prohibited fishing gear

and thereby opening paths to contribute sustainable fish harvest to the local economy through environmentally friendly fishing methods.

Providing direct contribution to establish a sustainable fish harvest in Sri Lanka's inland reservoirs by finding out whether any relaxation of the existing law for Tanguis nets can be done and to report to the Ministry of Fisheries by conducting a research on Ridiyagama, Kattakaduwa and Murutawela lakes in Hambantota District using those two types of nets by providing its report to the relevant parties.

- (b) Promotion of social and economic aspects of fisheries including the welfare of fishermen and their dependents.
- The Nara Fisheries Information Center and Fisheries Information Service, run by the Socioeconomic and Marketing Research Division since 2013, and the Fisheries Information Service contribute to the task of promoting the social and economic aspects of the industry, including the welfare of fishermen and their dependents.

In addition to that, activities in connection with relevant institutions including the Ministry of Fisheries are being done for formulation of necessary policies for the welfare of fishermen and their welfare by Socio Economic and Marketing Research Division.

The investigation report on alternative income generation opportunities related to Moragolla beach in Kalutara District of Sri Lanka was prepared by the Socio

Economic and Marketing Research Division in the year 2022. Further, the research conducted by the World Food and Agriculture Organization (FAO) in collaboration with the Ministry of Fisheries on fish loss and waste has been analyzed and followed for the welfare of fishermen and their dependents by reducing fish wastage and reports were presented regarding the multiple solutions required. Also, actions were taken by going to the field and collecting relevant data and information to study the issues raised among the stakeholders due to the shrimp industry around the vicinity of Chilaw Lagoon.

- (c) Processing, testing and marketing of fish and related products
- Successful results were achieved by carrying out studies on the addition of natural preservatives to improve quality and durability for Maldives fish powder prepared with the help of herring fish species in the year 2022 .

Similarly, the quality and shelf life of vegan candy was improved by mixing different proportions of carrageenan obtained from seaweed extract and store-bought pectin.

In addition to this, "Carrageenan" which is obtained from a special type of seaweed called "Kotani" was carried out using drying techniques in the chemical purification process. Here, the effect on its quality that is physical and chemical condition was studied.

The trigger fish species was prepared in different ways and its quality was checked. Training courses for students studying food technology at Ocean University of Sri Lanka were also implemented by this Division last year.

- (d) Coordinating the works of institutions engaged in the utilization, planning, investigation, development, control and management of aquatic resources.
- It has been included in the Annual Report 2022 about the work done.

- (e) Although a scientific or technical committee should be appointed, such a committee had not been
- Agree. Requests have been made to make the appointment. Appointments were by now.
- A scientific or Technical Committee should

appointed according to the National Aquatic Resources Research and Development Agency Act No. 54 of 1981 as amended by Section 18 of Act No. 32 of 1996 .

be appointed and perform the necessary tasks and duties.

- (f) A number of 200 Anti-Depredation Pingers were purchased from a private company and an amount of Rs. 5,289,276 had been paid for research and use of modern equipment to harvest fish species which are not harvested.

Since these equipment have to be purchased from Fishtech Marine Company, the specifications for the products from that company have been submitted for the bid, and since these equipment will be purchased from that company, quotations have been obtained by specifying only the frequency.

Purchases should be made for urgent needs and those goods should be used for the need.

Even though there were up to 16 specifications in the bid document, only one frequency out of the 16 specifications, had been entered and the quotations were obtained and the procurement had been awarded to this bidder in getting the quotations from the supplier.

Similarly, it had to discuss with experienced fishermen and find solutions for some practical problems (Theft at sea, accidents and use of equipment) that may arise in the use of these devices. It had to be kept in storage for several months due to the delay in finding the most suitable people and getting the necessary approvals.

Even though this device had been purchased as an urgent need, out of the 200 units purchased, 195 had remained unutilized in the company up to 12 September 2023.

Research is being carried out in the sea using these devices at present. The results are expected to be released to the people in the near future.

- (g) Temperature Depth Recorder equipment had been purchased at a cost of Rs.2,641,925 to strengthen the fishing grounds forecasting system in Sri Lanka. Even though the depth range of the specification is from 5 to 500 meters as per the requirement of

The long line currently used in Sri Lanka has a depth range of 75-125 meters and if there is a need to deploy for greater depth in future improvements to the fishing style we have given the range of 5-500m for that purpose. The supplier has confirmed that this 1-

The Agency should act in accordance with the Procurement Guidelines and it is the responsibility of the Procurement Committee to apply

the Agency, the procurement was awarded to the supplier who had completed only one of the 17 specifications submitted by the supplier for a range of 1 to 270 meters. Moreover, the supplier who had mentioned the battery life as 09 years in the Agency's specifications had stated the warranty period as one year and not as battery life.

270 meter device can be used at depths of up to 400 meters. It was therefore recommended that the 1-270m range would be suitable as it would fulfill the research requirement of the Nara Institution.

the specified specifications.

The supplier has mentioned in a battery life of 09 years with 10 minute intervals of temperature and pressure measurement. These values may vary in measurements with shorter intervals. So battery life is based on the interval at which measurements are taken and has nothing to do with warranty period.

The warranty certificate is applicable for technical defects such as non-recording of measurement of the device, incorrect measurement or communication problems during the warranty period of 01 year. Therefore, the battery life claimed by Nara is in agree with the supplier's specifications.

The depth range that is 1 - 270 meters was informed that it fulfills our research requirement.

(h) According to the project agreement of the project named "Development of a recreational beach area / sea water strip from Kollupitiya to Dehiwala" implemented by the Ministry of Megapolis and Western Development, a sum of Rs.14,171,572 (excluding approved amount for two consultants) had been approved

All project payments have been made based on actual performance based on timesheets and evaluation by the Administrative and Project Management Committee. According to the invoices submitted to the Ministry of Megapolis and Western Development, they have been submitted on the basis of the same heads. I emphasize that the direct

Payments should be made in accordance with existing norms with proper authorization

on performance for the direct staff of the Agency. The direct staff had been paid Rs. 21,235,730 exceeding that value in the year 2021. The approval had not been obtained for the same up to now and steps had not been taken so far to recover the money paid without obtaining approval.

works of this project are not only the technical works of the project. Project work consists of technical and non-technical direct tasks.

As the work done of related tasks is the work of Nara Institute, actions were taken to direct the relevant staff to complete the work. The payments to be made for that have been carried out in the allocated provisions. This has been done under institutional approval and it was not necessary to obtain approval in the name of the employee.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The "Tharani" vessel, which was produced at a cost of Rs.12 million in 2011, due to technical defects had remained idle for more than 10 years without any use.	<p>This vessel was built to be used for shallow sea research until a new ship was acquired. But due to inconsistencies, it had to be removed from use.</p> <p>Research is not always success and the expenses incurred for that cannot be stated as net expenses. Arrangements have been made to use it for exhibition and study purposes by now.</p>	<p>Actions should be taken to use the research work for another purpose when research is found to be unsuccessful.</p>
(b) The amount of Rs. 3,900,673 paid for the Central Laboratory Complex Project remaining from 2018 and the amount of Rs. 1,631,963 paid for the construction of a Kalpitiya hatchery complex remaining from 2020 had become a futile expense.	<p>These are not abandoned works. The Treasury has temporarily delayed disbursements due to the ongoing economic stabilisation. Efforts are being made to obtain foreign grants.</p>	<p>The Agency should take actions to carry out construction works with provisions.</p>

- (c) It was observed that a number of 154 plastic containers, an air conditioner and a bottle refrigerator which were purchased valued at Rs 832,344 had not been using for 02-03 years during the physical verification at the main warehouse on 13 September 2023 .
- Plastic Containers - 1 valued at Rs. 280,249 have been kept in store due to non-conformance of specifications with project initiated. Alternatives are being issued on demand.
- Arrangements should be made to utilize the purchased items.
- Although the air conditioner valued at Rs. 206,496 was bought for Kapparatota Regional Center issued only for needs on restriction of equipment purchases on Guidelines of Ministry of Finance .
- The bottle refrigerator valued at Rs. 345,599 has been stored in the Environmental Studies Division for the future purpose of investigations on environmental damage caused by the Express Pearl ship accident.
- (d) A stock of 9391 oyster models valued at Rs.7,512,800 had remained unused for several years.
- This collection of oyster models was provided by a foreign inspection group. Due to the unsuccessfulness of the tests done with the Nara Institute, this stock of models has been withdrawn from use and stored in the warehouse.
- Necessary actions should be taken against underutilized stocks.
- (e) An amount of Rs. 57,022,577 had been spent as maintenance and operational expenses for six regional research centres owned by the research institute during the year under review and 52 officers were assigned to these centres. As the Action Plan of these centres and the corresponding performance information as 31 December 2022 were not submitted to the audit, it could not
- A description of the work performed by the six centres has been presented and the work has not been planned in the Action Plan of the year and the progress according to that plan has not been presented.
- All the works of the Agency should be planned according to the Action Plan and progress should be presented accordingly.

be satisfied in audit that the performance of those centres.

(f) Even though procurement had been carried out stating that, the depth reading range of its depth reading device is 200 mm when buying a Light Weight Dual Frequency Echo Sounder, an amount of Rs.1,889,975 had been paid in December 2022 accepting the procurement awarded as 75 mm. The Technical Evaluation Committee had recommended that the limit of 75 mm was sufficient and the facts on which it was based were not revealed during the audit.

In the initial request, it has been stated that the requirement for lagoon surveying. Since the difference between the lowest and the second lowest prices was a large gap in comparison of price and also our basic requirement was fulfilled by the instrument that submitted the lowest price, it has been recommended by the Technical Committee. It is the recommendation of the Technical Evaluation Committee that the depth of Sri Lankan lagoons can be completed from the specifications of the instrument.

In planning the procurement, the accurate specification should be determined by the Procurement Committee.

3.4 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
<p>The officer No. 80210 had gone Australia for post-graduate studies from 24 October 2002 to 01 April 2004 and had entered into an agreement valued at Rs.5,932,721 with NARA. Although, according to the agreement, he had to work in the Agency for a period of 10 years, he was considered as he had left the service because he did not return to work on the scheduled date. Actions had not been taken to recover the contracted amount from the respective guarantors or take legal action against them and after deducting the amount receivable and payable from the</p>	<p>Only the contractual value of Rs. 5,932,721 has been mentioned as value of the case. This case had been filed in the Colombo District Court by 2010. This officer was reading his Ph.D. in St. Lepndrils University, Australia by the year 2006. This officer has not returned Sri Lanka by the year 2010 and however, the decision to provide money to spend on this case is decided by the Honourable District Judge and the ability to recover all the money spent on the case is uncertain.</p>	<p>The Agency should take actions to proper accounting in accordance with relevant regulations when officers travel abroad, to get details of guarantors to accurately recover amounts receivable and payable.</p>

respective officer and filed a case in Colombo District Court to pay the remaining value of the bond amounting to Rs 5,874,798 in 2 installments each in 05 years and it was settled in the year 2022 and the approval of the Governing Council had also been given for it. But since the amount receivable from this officer had not been paid from 2005 to 2022 , the Management of the Agency had not drawn attention to recover the interest amount to be charged for 15 years in relation to that amount and the expenses incurred for the proceedings from the respective officer.

A large cost should be borne for the recovery of the amount mentioned in the agreement by the said case No. DMR/3930/10 and it is uncertain whether the total amount spent and the amount to be paid to the Attorney General's Department and the amount spent for the officers to appear before the court will be fully recovered. Because it is decided at the discretion of the court.

The settlement terms submitted by the Governing Council have been sent to the Settlement Terms Governing Board. The Board of Governors approved the settlement terms presented by that person in order to recover the amount mentioned in the agreement at the lowest cost to the organization considering the whole. If he will not act according to those conditions, the case has been kept in the Colombo District Court so that further steps can be taken in the case bearing DMR/3930/10 .