Head -290 Department of Fisheries and Aquatic Resources - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head - 290, Department of Fisheries and Aquatic Resources for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance and cash flow statement for the year then ended 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. The Summary Report containing my comments and observations on the financial statements of the Department of Fisheries and Aquatic Resources was issued to the Accounting officer on 22 May 2025 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 20 June 2025 in terms of Section 11(2) of the National Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 to be read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the Department of Fisheries and Aquatic Resources as at 31 December 2024 and its financial performance and cash flows and on all the materialities in accordance with the basis of preparation of the financial statements set out in Note. 1 related to the financial statements.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor’s Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of Matter – Basis for preparing Financial Statements

The attention is drawn to the Note 1 related to the Financial Statements which describes the basis of preparing these financial statements. The financial statements have been prepared as per the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 for the requirement of the Department of Fisheries and Aquatic Resources, General Treasury and the Parliament. Consequently, these financial statements may not be suitable for other objectives. My report is only for the use of the Department of Fisheries and Aquatic Resources, General Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

1.4 Responsibility of the Chief Accounting Officer and Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for such internal control as Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Department 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.

As per Section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any altercations as required for such systems to be effectively carried out.

1.5 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 summary 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 and its materiality depends on the influence on economic decisions taken by users 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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.

- Evaluate the 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.

- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Property, Plant and Equipment

Following observation is made.

Audit Observation	**Comment of the Accounting Officer**	Recommendation
According to the Treasury Computer Printouts on Statement of Expenditure (SA 10), a sum of Rs. 2,047,737 had been incurred during the year 2024 for the purchase of capital assets under Object No. 290-1-1-0-2103-0-17 –Acquisition of Machinery and Equipment. However, this amount had not been identified as purchases in the Statement of Non-Financial Assets (ACA 6) of the Department for the year 2024. As a result, Property, Plant, and Equipment in the Statement of Financial Position had been understated by that amount.	Although provisions were requested in 2024 to account for the assets received as donations to the Department, requested provisions were not approved. Therefore, provisions have been requested again to record those assets in 2025.	Expenditure incurred for capital assets should be properly accounted for in the Statement of Non-Financial Assets

(b) Imprest Balance

Following observation is made.

Audit Observation	**Comment of the Accounting Officer**	**Recommendation**
In terms of the Treasury Computer Printouts SA 70, the unsettled advance balance of Imprest Account No. 257/23 as at 01 January 2024 amounted to Rs. 17,042,894. However, in the Statement of Imprest Accounts, Format ACA-3, for the year 2024, any value was not stated for that balance as at 01 January 2024. Further, according to the Treasury Computer Printouts SA 71, a sum of Rs.	An unidentified balance of Rs. 117,000, which had been directly credited to the official revenue collection bank account of the Department as at 31.12.2023, was correctly identified and accounted for in January 2024. However, due to a mistake, the Imprest Account No. 257/23 could not be presented in the ACA-3 format of the 2024 financial	The ACA-3 format included in the financial statements should be prepared accurately.

	117,000 had been received from the Treasury for Imprest Account No. 257/23 in March 2024, and Rs. 17,159,894 had been settled to the Treasury in January 2024 in cash. Accordingly, the ACA-3 format included in the 2024 financial statements was inaccurate due to the omission of the imprest account No. 257/23 in its preparation.	statements.	

(c) Cash Flow Statement

Following observations are made

	Audit Observation	Comment of the Accounting Officer	Recommendation
(i)	According to the consolidated detailed trial balances of the Department, receipts from the Treasury amounted to Rs. 840,879,000, while repayments of imprest to the Treasury totaled Rs. 180,389,576. However, in the Statement of Cash Flows, imprest receipts were reported as Rs. 841,595,400 and repayments to the Treasury as Rs. 181,105,977, resulting in a difference of Rs. 716,400 between the figures shown for imprest receipts and repayments.	Revenue collected by district offices is remitted directly to the Treasury. Although the sum of Rs. 716,400 collected as revenue as at 31.12.2024 had been remitted to the Treasury, it could not be identified as an income receipt under the CIGAS programme at that time. It was subsequently recognized correctly through a transfer sheet. Since this amount was not included in the consolidated trial balance, accurate figures including the Rs. 716,400 have been reflected in the preparation of the Cash Flow Statement.	Imprest receipts and repayments to the Treasury should be accurately shown in the Cash Flow Statement.
(ii)	In terms of section 7.7 of State Accounting Guidelines No. 06/2024 dated 16 December 2024 of the State Accounts Department, the Statement of Cash Flows for the year ended 31 December 2024 should be prepared under the direct method, considering both cash and cross entries. However, the Department of Fisheries and Aquatic Resources had prepared the Statement of Cash Flows on a cash basis.	Officers have been informed to prepare financial statements in accordance with State Accounting Guidelines in future years.	Action should be taken in accordance with State Accounting Guidelines.

(d) Statement of Financial Performance

Following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
The receipts of imprests from the Treasury and the value of remittance to the Treasury should be shown separately under Non-Revenue Receipts in the Statement of Financial Performance. However, in the Statement of Financial Performance for the year ended 31 December 2024, out of total Treasury imprest receipts of Rs. 841,595,400, remittance to the Treasury amounting to Rs. 181,105,977 had been deducted, and the net Treasury imprest receipts of Rs. 660,489,423 had been shown under non-revenue receipts as imprest received from the Treasury.	Relevant officers were instructed to correctly identify and present the values when preparing financial statements for the year 2025.	Receipts of imprests from the Treasury and value of remittance to the Treasury should be shown separately under non-revenue receipts in the Statement of Financial Performance.

(e) Lack of Evidence for Audit

Following observation is made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(i)	A user account with "view-only" access to the Vessel Monitoring System (VMS) had not been granted to the Government Audit Division for the purpose of reviewing the operational activities carried out by the Vessel Monitoring Division. Consequently, the operations of the Vessel Monitoring Division could not be verified.	In order to provide a new VMS user account to the Audit Division, an additional payment must be made and approval should be obtained from the respective company. Furthermore, according to the Personal Data Protection Act, when installing VMS equipment, the consent of the vessel owner (data submitter) must be obtained before providing sensitive data such as VMS information to any party that has not given prior consent. Therefore, required information can be provided upon request for such information for the time being.	Necessary measures should be taken to provide the Audit Division with a "view-only" user account to access information in the Vessel Monitoring System.

2. Report on Other Legal Requirements

(a) In terms of Section 6(1)(d) of the National Audit Act No. 19 of 2018, I declare that the financial statements are consistent with those of the preceding year.

(b) The recommendations made by me regarding the financial statements for the preceding year have been implemented.

3. Financial Review

3.1 Revenue Management

Following observation is made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(**a**)	According to the Orders for the collection of license fees issued by the Extraordinary Gazette No. 2255/22 dated 24 November 2021, the Minister had authorized the imposition of fees under 05 main activities covering 53 instances where licenses could be issued for the collection of government revenue. However, since licenses were not issued on pre-numbered specific papers, there existed a possibility of issuing licenses without generating revenue to the government. Since it was not possible to verify whether the annual license fee income of Rs.173,842,450 collected was related to all the licenses issued according to the financial statements of the year under review, the accuracy of the above-mentioned annual license fee income could not be satisfactorily established during the audit.	Revenue is collected under 53 instances as authorized by Extraordinary Gazette No. 2255/22 dated 24 November 2021. The issuance of relevant licenses is carried out by each division, while the money collected through the Department's bank account can be easily reconciled through the online system.	Adequate internal controls should be put in place for the issuance of licenses.

3.2 Expenditure Management

Following observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(**a**)	Supplementary provisions amounting to Rs. 800,000,000 had been made for the Object No. 290-1-1-14-1504-0/11during the year under review. However, 88 percent of those provisions, amounting to Rs. 708,729,543, had not been unutilized.	In accordance with the Cabinet decision dated 15 October 2024, supplemental provisions amounting to Rs. 800 million were obtained for the applications expected to be paid from October to December 2024, for the fisheries industry restoration program implemented for a period of six months starting from October 2024. However, since the fishing community required some time to adapt to the payment process, there was a delay in the submission of vouchers. Consequently, payments were made only for the applications submitted by 31 December 2024, leaving a balance of unutilized provisions.	Accurate and realistic estamates should be prepared.
(**b**)	Out of the total net provisions of Rs. 844,500,000 provided through the Annual Budget Estimate 2024 for three recurrent objects and two capital objects, provisions amounting to Rs. 752,587,016, or between 84 and 100 percent of the net provisions, had remained unutilized.	The savings in provisions under recurrent expenditure items arose from restrictions on renewing repair contracts for machinery that had exceeded its useful life. The savings in provisions under capital expenditure items resulted from the referral of the procurement of radio equipment under Object 2103 to the Attorney General’s Department for legal advice, and from the monthly payments for the proposed Cloud Server system under Object 2106 being classified as recurrent expenditure.	Accurate and realistic estamates should be prepared.

3.3 Deposits

Following Observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(i)	No action had been taken in terms of Financial Regulation 571(3) either to settle or to credit to	A sum of Rs. 2,141,459 in the contract retention deposit account No. 6000-0-0-16-0-47 relates to the	Action should be taken to settle or credit to government revenue all

government revenue the total deposit balance of Rs. 36,085,002, which had exceeded a period of two years.	construction of the new Vessel Monitoring System building, and the amount is being retained to rectify defects of the building. The balance of the tender deposit account No. 6000-0-0-2-0-96 has been settled at present.	deposit balances exceeding two years.
(ii) The balance exceeding two years in General Deposit Account No. 6000-0-0-13-0-64 consisted of funds remaining from amounts collected from vessel owners in 2022 for the payment of Vessel Monitoring System (VMS) service charges to a private institution. Those funds had not been settled or credited to government revenue but were used to pay service charges to another private company currently providing Vessel Monitoring System services.	During discussions on this issue, the Treasury Planning Department instructed that the funds collected from vessel owners for Vessel Monitoring System service charges be maintained as a reserve for future payments. Accordingly, the funds collected during the previous Vessel Monitoring System period were retained without being credited to government revenue to be used for future payments.	Action should be taken to settle or credit to government revenue all deposit balances exceeding two years.

4. Operational Review

4.1 Planning

Following Observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
Although 100 per cent performance was expected for the acquisition of machinery and equipment worth Rs.25 million included in the annual action plan 2024, no performance whatsoever had been achieved relating to it.	Although a contract was awarded to a private company in Japan, since the department had previously referred issues related to radio equipment purchased from the company's local agent for an arbitration, this matter has been referred to the Attorney General's Department for legal clarification. Therefore, this purchase was not carried out.	Physical performance for machinery and equipment acquisitions should be achieved adequately as planned in the action plan.

4.2 Annual Performance Report

Following Observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the information submitted to the audit through the letter No. DFAR/INV/AUDIT/2024-VOIII dated 12 March 2025, the number of investigations carried out during the year 2024 was 217. However, paragraph 2.1 of the Performance Report stated under the Progress of investigations that the target of 800 investigations on legal violations through the VMS had been achieved in 2024.	The total number of investigations, including instances of reissuing the travel turns after preliminary examinations, had been included in the Performance Report as progress.	Accurate information should be included in the performance report.

4.3 Procurements

Following Observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(**a**)	Although paragraph 2.6.1 (a) of the Government Procurement Guidelines states that members of Technical Evaluation Committees are collectively and individually responsible for the decisions they make, it was revealed that, despite ordering seven radio communication devices required by the department in 2019 according to the relevant specifications, the supplier had provided equipment that did not comply with those specifications. The Technical Evaluation Committee's recommendation to make payments amounting to Rs. 7,084,000 for those items had resulted in delays in the procurement process and losses to the government. However, as at the date of audit, no action had been taken by the department against the members of the Technical Evaluation Committee. Furthermore, although the institution had been informed on 24 February 2020 and 26 May 2020 to refund the said	This situation arose due to technical issues encountered during the use of the radio communication equipment. A radio communication device should be operated and tested for at least two weeks to ensure its proper functionality. Accordingly, the defects of these devices were identified after installation. However, a final decision regarding the settlement has not yet been reached.	Communication equipment is essential for regulating fishing activities, and therefore, it must be maintained in full operational condition.

	amount to the department, failing which legal action would be initiated, this issue had not been resolved even after a lapse of five years.		
(**b**)	Although the procurement process for the purchase of five 250W radio communication devices for the department was initiated in February 2024, it had not been completed even by 20 May 2025. A Japanese company had been selected under the international bidding process for the supply of the five 250W radio communication devices. However, the contract was not signed since its local agent was the same institution that had supplied radio equipment in 2019. Furthermore, although the matter had been referred to the Attorney General's Department for guidance, by the time of the audit, the primary function of providing radio communication facilities between fishing vessels and the land had still not been settled.	Although four companies submitted bids during the calling for tenders in 2024, the contract has not been implemented so far because the local Sri Lankan agent of the Japanese company selected by the procurement committee had not fulfilled a previous agreement with the Department of Fisheries.	Communication equipment is essential for regulating fishing activities, and therefore, it must be maintained in full operational condition.

4.4 Losses and Damages

Following Observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(**a**)	A loss of Rs. 16,519,961 due to water leakage on the 6th floor of the ministry building, which was included in the Statement of Losses and Waivers in Annex (i) of the financial statements, was recorded in the Losses and Damages Register maintained by the Department, and no action had been taken to clearly identify the responsible parties and recover the loss incurred by the Government from them	The committee report on the investigation conducted under Financial Regulation 104 regarding the loss caused by the rainwater leakage on the 6th floor was submitted on 30.06.2023, and the review committee report prepared accordingly was forwarded to the Ministry of Fisheries on 10.10.2023. Action may be taken to write off the loss from the Losses and Damages Register based on the recommendations provided by the Ministerial Committee.	Losses and Damages Register should be maintained in an updated manner.

(b)	In accordance with the State Finance Circular No. 01/2020 dated 28 August 2020, the Accounting Officer should grant approval to written off losses exceeding Rs. 250,000 from the Losses and Damages Register. However, out of the loss of Rs. 2,043,000 due to a fire that occurred on 22 August 2023 at the office building of the Tangalle District Fisheries Office, a sum of Rs. 306,450 was recovered, and the remaining Rs. 1,736,550 had been written off from the books based on the recommendation of the Department's Accounting Officer.	Instructions were given to the officer in charge of the relevant subject to submit this matter of loss for the approval of the Secretary to the Ministry to write off it, and action has been taken to inform the officers of the limits prescribed in the Circular that require submission for the approval of the Secretary to the Ministry.	Action should be taken in accordance with circulars.
(**c**)	The tablet computer issued on 18 May 2022 to a Development Officer attached to the Colombo District Fisheries Office had been stolen on 03 September 2024. However, the Department had not conducted an investigation in accordance with Financial Regulation 104. Although the loss had been recorded in the Losses and Damages Register, it had not been included in the 2024 financial statements	Since an investigation under Financial Regulation 104 could not be conducted due to an omission, a committee was appointed for that purpose on 18 March 2025. Further action will be taken based on the report received upon the completion of the investigation.	Actions regarding losses and damages should should be taken in accordance with Financial Regulations

4.5 Management Weaknesses

Following Observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	**Purchase of Radio Communication Equipment.**		
(i)	The radio equipment used by 19 search operation centers	Currently, the Department is operating radio equipment that is	The procurement process should be

	operated under the Department's Fisheries Operations Division consists of very old units, and as of 31 December 2024, the radio equipment at four search operation centers in Colombo, Mirissa, Nilwella, and Kirindahad become inactive. The radio equipment used by another 06 search operation centers is more than 20 years old, with an operational efficiency of only about 50 percent. Since the manufacturers of these old models have discontinued their production, it has also become difficult to carry out necessary repairs.	over 10 years old and no longer fully efficient. Although procurement activities were initiated to purchase five new radio units, due to technical issues, those procurement activities have not yet been completed.	completed promptly, and radio communication facilities between fishing vessels and the land should be established without delay.
(ii)	In the year 2019, the Department had purchased 07 radio communication devices valued at Rs. 12,397,000, of which only one radio unit operated at 100W capacity. However, it had been notified to Audit through the letter No. DFAR/F/1/4/1 dated 24 February 2025 that its amplifier component was non-functional, as reported to Audit in. Accordingly, the seven 400W high-power radio units purchased in 2019 were not fully operational even by 31 December 2024.	The issue with these radio units arose due to the supplying company provided equipment that did not comply with the tender specifications and failed to install and demonstrate them in working condition. The matter has been referred for arbitration, and as a result of delays in reaching a final resolution, these radio units have not yet been fully installed. However, action is currently being taken to bring these radio units into operational condition.	As radio communication equipment is essential for regulating fishing operations, it must be maintained in full operational condition.

(b) Installation of Vessel Monitoring System (VMS) equipment on multi-day fishing vessels.

(i)	The Department had decided that the 4,200 Vessel Monitoring System (VMS) units, which had been received under Australian aid in 2021, should be installed free of charge on multi-day fishing	The project period for the free installation of Vessel Monitoring System (VMS) units on all multi-day fishing vessels decided prior to 2021 was initially set at three (03) years. During the planning of this project, it was observed that a considerable	Assistance received through foreign aid must be properly provided to the fishing communities.

vessels. The number of multi-day fishing vessels on which VMS units had been installed was 4,084 as of 31 October 2024. Another 25 units were reserved for emergency use, and as of 31 October 2024, 91 units remained uninstalled on vessels. As the installation of these units received in 2021 had not been completed by the end of 2024, it had not been possible to properly provide the assistance received via foreign aid to the fishing communities.	amount of time would be required due to several factors such as vessels operating from all fishing ports across the country, the need to install units while vessels were engaged in fishing activities, the requirement to inform fishers, and the strong resistance encountered from fishers during the first-time VMS installations. Furthermore, since these units had to be manufactured abroad and imported, they were not received all at once but delivered in batches.

(c) Construction of Multi-Day Fishing Vessels under the 50% Subsidy Scheme.

(i)	Approval was granted through the Cabinet decision No. 16/1233/725/020-I dated 28 June 2016 to construct 10 modern 55-feet multi-day fishing vessels worth Rs. 26 million each under the 50 per cent subsidy scheme, with the government covering 50 per cent of the total cost of these 10 vessels , amounting to Rs.130 million and 50 per cent of the VAT, amounting to Rs. 19.5 million. Accordingly, five vessels were directly constructed by the Cey-nor Foundation, while the remaining five were to be built by a private boat-building institution registered with the	The production of the remaining two vessels is ongoing under the ministry's intervention. On 27 September 2024, discussions were held with officials from the Ministry of Fisheries, the Department of Fisheries and Aquatic Resources, the Cey-nor Foundation, and the private company, and an agreement was reached for an extension to complete vessel production. Since action was taken to complete the production activities, no recovery of penalty charges or vessel repossession had taken place. Payments were made to the relevant shipyard via the Cey-nor Foundation, and as the 50 per cent contribution was paid excluding VAT, the beneficiaries were instructed to settle the VAT immediately. Two vessels were seized by the governments of Myanmar and Seychelles, while the IMULA1028TLE vessel was detained and legal proceedings initiated due to entry into the Diogo Asia State maritime limits. The remaining vessels are operational within the active fishing industry.	To achieve government objectives, the Department should supervise the construction of the vessels, recover delay charges in accordance with the contracts, and take legal action regarding any delays. Furthermore, the Department must promptly collect the contributions due from the beneficiaries without delay and ensure the achievement of project's objectives.

Department of Fisheries and Aquatic Resources under the supervision of the Cey-nor Foundation and. By 20 May 2025, eight of the 10 vessels had been delivered to the beneficiaries, while two vessels, which were under agreements for construction by the private company, had remained incomplete for eight years up to the audit date, and no action had been taken to complete production and hand them over to the beneficiaries. According to the letter of even No. ධීජදෙ/ධීසං/අඩ55/2023, dated 24 June 2024, from the Director General, a delay fee of Rs. 247,000 per day was payable to the Department, yet no action was taken to either complete the vessels or recover the delay charges. For two of these multi-day fishing vessels, the government paid Rs. 29,900,000 as its 50 per cent contribution to the private company responsible for

	construction. Additionally, the VAT payable from the beneficiaries' contributions had accumulated to Rs. 11,900,000 as of 20 May 2025. Although seven vessels had been fully constructed (one vessel was destroyed by fire) and delivered to the respective owners over 5 years ago, they had not yet been formally transferred to them, and only five vessels were actively engaged in the fishing industry.		

(d) Demarcation of Lagoon Project.

(i)	Under the lagoon demarcation project, 18,071 poles had been ordered for 9 lagoons in 7 fisheries districts. Of these, 14,636 poles worth Rs. 21,176,486 were supplied. However, as of 31 December 2024, a total of 7,948 posts worth Rs. 11,515,615 had not yet been installed for marking lagoon limits. Although it was identified that 1,784 poles were required for the Chilaw Lagoon, due to the incorrect recording of 4060 poles during the procurement process, the remaining 2,164 poles were transported to the Puttalam Lagoon at a cost of Rs. 1,895,448. The 3030 poles manufactured for the	Due to the fact that the number of boundary poles for the Chilaw Lagoon was recorded as 4060 instead of 1784, an additional 2164 posts were transported to the Puttalam Lagoon at a cost of Rs. 1,895,448. Although the North Western Local Government Commissioner has informed that it is possible to deploy local	The remaining poles must be used for demarcating lagoon limits without delay. In accordance with Government Financial Regulation 128(1)(a), government activities must be carried out with due regard to efficiency, propriety, and integrity, and any public funds expended additionally must be recovered from the responsible parties.

	Mundalama Lagoon were awarded to the Civil Defense Department without entering into a formal contract agreement and 1,435,000 was paid for them. As of 31 December 2024, 1595 of these poles still needed to be installed.	government employees to install the remaining 1595 posts in the Mundalama Lagoon, since estimates have not been submitted, procurement activities are being carried out to get this task done by registered fisheries organizations.	

(e) Payment of Risk Allowances for Officers Involved in International Fisheries Management Activities.

(i)	Approval had been granted by Cabinet decision No. CP/16/0333/725/006 dated 21 July 2016 to provide a risk allowance to officers involved in the Department's international fisheries management activities and to introduce a life insurance scheme for them. Accordingly, it had been approved to provide a monthly allowance of Rs. 5,000 per officer and insurance coverage of Rs. 2.5 million for 147 officers assigned to 12 port offices and relevant sections of the Head Office involved in international fisheries activities. To qualify for this allowance, officers were required to perform at least two night shifts per week, or two half-day duty shifts on weekends, or one night shift	An officer working the night shift at the International Fisheries Unit of the Department of Fisheries and Aquatic Resources works approximately two 24-hour night shifts per week. During 2024, five night-shift officers qualified for the allowance by consistently performing two night shifts each week. Six officers from this unit and the Investigation Division did not perform night shifts; instead, they carried out essential international fisheries duties from home at any time of the day or night. Payments for these officers were recommended based on satisfactory performance. Furthermore, the report of the National Salaries and Cadre Commission mentioned in the Cabinet Paper relating to this allowance was not attached to the files sent by the Cabinet Office to the Ministry of Fisheries and Aquatic Resources after the approval of this Cabinet Paper.	Actions should be carried out in accordance with the Cabinet decision and the relevant internal circulars.

	combined with one half-day duty shifts on weekends. However, in 2024, 11 officers of the Investigation Division and International Fisheries Division carried out these duties on a monthly basis rather than weekly and were paid a total allowance of Rs. 510,000 for performing two night shifts or two half-day duty shifts on weekends or one night shift combined with one half-day duty shifts on weekends per month. Furthermore, the insurance coverage approved under the Cabinet decision had not been obtained even as of 20 May 2025.		
(ii)	In terms of the Circular No. Circular/DFAR/HSFU/2016/06 dated 22 June 2016, issued by the Director General of the Department of Fisheries and Aquatic Resources, the relevant officers had not maintained future work plans and duty diaries.	Duty diaries for the year 2024 had not been issued to the officers of the Investigation Division, and accordingly, copies of documents related to field duties carried out from January to July of that year are available.	Action should be taken in accordance with the Director General's circular.
(iii)	The mandatory requirements for performance evaluation had not been verified, and in certain months of the year 2024, allowances payments had been made to the officers of the Investigation Division even though they had not performed additional duties.	During 2024, when granting this allowance, approval had been given based on the satisfaction of the officer who was delegated authority during the relevant period, considering the duties assigned to those officers and their satisfactory performance.	Evaluations should be conducted based on progress reports, and allowance payments should be made on the performance of additional duties.

(f) Installation of Fish Aggregating Devices (FAD).

(i)	The Koggala Fish Aggregating Device (FAD) had been	A complaint regarding the non-settlement of the insurance claim was submitted to the Insurance Regulatory Commission on 13	Necessary action should be taken to reimburse the loss of

	insured with the Sri Lanka Insurance Corporation for Rs. 7.1 million for a period of one year from 27 September 2024 covering accidental damages and damages caused by adverse weather conditions, with a premium of Rs. 302,406. The FAD installed in the Koggala area on 06 November 2024, had been displaced on 14 January 2025. Although the insurance claim had been submitted, no reply had been received from the insurance company even by the audit date of 27 August 2025, after a lapse of seven months. The Departmental management had failed to obtain a response from the insurance company or secure compensation for the displaced FAD, resulting in a loss of Rs. 7,914,548 to the Government as of 27 August 2025, and the expected benefits could not be delivered to the fishing community.	August 2025.	Rs. 7.1 million from the insurance company.
(ii)	The second Fish Aggregating Device (FAD) in Sri Lanka had been installed in the Negombo area on 11 July 2025, at a total cost of Rs. 5,853,486,	Although quotations had been invited for insuring the Negombo FAD, no insurance company had submitted a bid. Following the notification to the meeting of the heads of the institutions of the Ministry held on 01.07.2025, it was decided to install the currently completed structures without	Action should be taken to enter into agreements with the relevant fishermen's organizations and to establish a formal procedure to minimize

	and it had not been insured. According to the "Incident Report on the Displacement of the Koggala Fish Aggregating Device (FAD)" submitted by the Department to the insurance company on 19 May 2025, it had been recommended to enter into agreements with the respective fishermen's organizations in each area to ensure the protection of future installations. However, agreements had not been signed with the fishermen's organizations for the FAD installed in Negombo even as at the audit date on 27 August 2025.	insurance as there was a problem regarding the progress of this project. Preliminary arrangements have been made to draft the relevant agreement, discuss it with the relevant organization, and sign it. This agreement will be signed after three months of the FAD's installation.	possible damages to the structure.
(g) Reconciliation statements on Advances to Public Officers Account.			
(i)	A balance of Rs. 231,597 remained recoverable from an office employee who had vacated service since 11 August 2021. Although more than three years had elapsed, the Department had not taken action to recover the said balance from the relevant officer.	The matter regarding the recovery of the outstanding loan balance of the officer who had vacated service has been referred to the Attorney General.	Action should be taken to recover the outstanding loan balance.

5. Human Resource Management

Following Observation is made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	There were 20 vacancies in 9 senior level posts, 9 vacancies in 2 tertiary level posts, 271 vacancies in 12 secondary level posts, and 4 vacancies in 2 primary level posts. Accordingly, the existence of 304 vacancies in 25 posts, including senior level posts, had become an obstacle in the performance of the key functions of the Department.	Action is being taken to appoint officers to perform duties in order to fill the vacancies in senior-level positions, and to conduct examinations and appoint interview boards for new recruitments. Measures are also being taken to conduct examinations to fill the vacancies in secondary-level positions, to request the attachment of Development Officers, and to prepare schemes of recruitment. In addition, arrangements are being made to obtain the approval of the Public Service Commission to conduct interviews to fill the vacancies in tertiary level positions. Further, the recruitment of drivers and office employees in the primary section will be carried out by the Director General of Combined Services.	Necessary staff required for the achievement of the Department's objectives should be recruited.