

**Report of the Auditor General on Head 139 Ministry of Fisheries and Aquatic Resources Development and the Department under the Ministry – Year 2014**

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Paragraphs 1 and 2 of this Report contain the general information on the Accounts of the Ministry and the Department of Fisheries and Aquatic Resources Development under the Ministry and the Audit Observations on each Head appear in paragraph 3 onwards.

**1. Department under the Ministry**

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<u>Head</u>	<u>Department</u>
290	Department of Fisheries and Aquatic Resources

**1.1 Scope of Audit**

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The audit of the Appropriation Accounts, Revenue Account, and the Reconciliation Accounts including the financial records, reconciliation statements, books, registers and other records of the Ministry of Fisheries and Aquatic Resources Development and the Department appearing in paragraph 1 above for the year ended 31 December 2014 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Reports for the year under review were issued to the Secretary to the said Ministry and the Head of the Department on the under mentioned dates. The audit observations, comments and findings on the accounts and reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

<b>Head</b>	<b>Ministry/ Department</b>	<b>Date of Issue of Management Audit Report</b>
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139	Ministry of Fisheries and Aquatic Resources Development	21 December 2015
290	Department of Fisheries and Aquatic Resources	15 December 2015

**1.2 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements**

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The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts, Revenue Account, and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Finance and Administrative Regulations. The responsibility includes; designing, implementing, maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

**2. Accounts**

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**2:1 Appropriation Accounts**

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**(a) Total Provision and Expenditure**

The total net provision made for the Ministry and the Department under the Ministry amounted to Rs. 9,416 million and out of that Rs. 8,069 million had been utilized by the end of the year under review. Accordingly the savings out of the net provisions of the Ministry and the Department amounted to Rs. 1,347 million or 14 per cent of the net provisions. Details appear below.

Head	As at 31 December 2014			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
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	Rs. Millions	Rs. Millions	Rs. Millions	
139	3,186	2,483	703	22
290	6,230	5,586	644	10
<b>Total</b>	<b>9,416</b>	<b>8,069</b>	<b>1,347</b>	<b>14</b>
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**(b) Utilization of Provisions made available by other Ministries and Departments**

Provisions totalling Rs. 127.12 million had been made available by other Ministries and Department of Fisheries and Aquatic Resources for various activities. Of that, a sum of Rs. 81.37 million had been utilized. The particulars of utilization of such provisions are given below.

<b>Ministry/ Department which obtained Provisions</b> -----	<b>Ministry/ Department which gave Provisions</b> -----	<b>Provision</b> ----- Rs. Millions	<b>Utilization</b> ----- Rs. Millions	<b>Savings</b> ----- Rs. Millions
Ministry of Fisheries and Aquatic Resource Development	Ministry of Economic Development	126.50	80.86	45.64
	Ministry of Women and Child Affairs	0.04	0.04	-
	Department of Fisheries and Aquatic Resources	0.11	0.05	0.06
Department of Fisheries and Aquatic Resources	Ministry of Fisheries and Aquatic Resources Development	0.47	0.42	0.05
<b>Total</b>		<b><u>127.12</u></b>	<b><u>81.37</u></b>	<b><u>45.75</u></b>

**2:2 Revenue Account**  
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**Estimated and Actual Revenue**

The Department under the Ministry had prepared Revenue Estimates totalling Rs. 7.37 million in respect of 01 Revenue Code for the year 2014 and Revenue totalling Rs. 15.08 million had been collected by the end of the year under review. Accordingly, 205 per cent of the estimated revenue had been collected.

## 2:3 Advance Accounts

### 2:3:1 Advances to Public Officers Accounts

#### Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Accounts of the Ministry and the Department under the Ministry and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
13901	6.00	5.98	3.80	5.03	31.00	24.43
29001	25.00	21.94	13.05	20.16	110.00	74.24

## 2:4 Imprest Accounts

The balances of the Imprest Accounts of the Ministry and the Department under the Ministry as at 31 December 2014 totalled Rs. 403.63 million. Details appear below.

Ministry/ Department	Imprest Account Number	Balance as at 31 December 2014
		Rs. Millions
Ministry of Fisheries and Aquatic Resources Development	7002/0000/00/0089/0014/000	386.03
Department of Fisheries and Aquatic Resources	7002/0000/00/0257/0014/000	17.60
<b>Total</b>		<b>403.63</b>

## 2:4 General Deposit Accounts

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The balances of Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2014 totalled Rs. 530.74 million. Details appear below.

Ministry/ Department	Deposit Account Number	Balance as at 31 December 2014
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		Rs. Millions
Ministry of Fisheries and Aquatic Resources Development	6000/0000/000/0015/0051/000	51.20
Department of Fisheries and Aquatic Resources	6000/0000/000/0015/0045/000	479.54
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<b>Total</b>		<b><u>530.74</u></b>

## 2:5 Audit Observation

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According to the Financial Records and Books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in paragraph 1.1 of the Management Audit Reports, the Appropriation Accounts, Revenue Account, and the Reconciliation Statements of the Ministry and the Department have been prepared satisfactorily. The material and significant observations out of the observations included in those Management Audit Reports appear in paragraphs 3 to 4 herein.

## 3. Head 139 - Ministry of Fisheries and Aquatic Resources Development

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### 3:1 Lack of Evidence for Audit

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A payment voucher valued at Rs. 9,664,584 for which action had not been taken in terms of Financial Regulation 272 (2), had been misplaced.

### 3.2 Replies to the Audit Queries

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Replies had not been furnished even by 31 August 2015 for 19 audit queries issued to the Ministry in the year under review.

### 3.3 Excess Expenditure

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Utilization of provisions made for 05 Objects in the year under review had been exceeded by Rs. 43.09 million without formal approval.

### 3.4 Provisions Granted by Other Ministries and Departments

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The following deficiencies were observed during the course of audit test checks conducted on the utilization of provisions granted by other Ministries and Departments.

- (a.) Provisions amounting to Rs. 92 million had been received from the Ministry of Economic Development under the *Divineguma* Project for the year 2014 to implement the programme in the fisheries sector. Of that, a sum of Rs. 46.3 million had been utilized by 31 December 2014 thereby saving a sum of Rs. 45.7 million. As the saving had been remitted to the Ministry of Economic Development, the progress in achieving the targets expected from the *Divineguma* Project, had been 56.5 per cent.
- (b.) Provisions amounting to Rs. 34,500,000 had been made to settle the bills in hand in respect of the projects implemented by the National Aquaculture Development Authority under the Divineguma Programme. A sum of Rs. 536,679 had been spent from this project for a project of processing foods for ornamental fish implemented in 06 districts by the National Aquatic Resources Research and Development Agency in the year 2013. Despite being informed by the Ministry of Economic Development that the necessary provisions be obtained from the relevant District Secretaries, such expenditure had been incurred contrarily.

### 3:5 Imprest Accounts

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The following observations are made.

- (a.) In terms of Financial Regulation 371 (2), action should be taken to settle the ad hoc Sub-Imprests immediately after the completion of the intended purpose for which it was granted. Nevertheless, ad hoc Sub-Imprests totalling Rs. 44,772,984 granted in 14 instances had been accounted for as an expenditure without being settled.
- (b.) In terms of Financial Regulation 371, the ad hoc Sub-Imprest should be settled immediately after the completion of the purpose for which it was obtained. Nevertheless, ad hoc Sub-Imprests and fuel advances totalling Rs. 611,455 granted in 20 instances, had been settled after delays ranging from 02 – 08 months since the completion of the purpose.
- (c.) In terms of Financial Regulation 371, the maximum Sub-Imprest to be issued to a Staff Officer in an instance should not exceed Rs. 20,000. Nevertheless, Sub-Imprests and fuel advances exceeding Rs. 20,000, totalling Rs. 920,140 had been granted in 25 instances.
- (d.) A sum of Rs. 2 million had been settled as at 31 December 2014 out of the advance of Rs. 10 million granted by the Ministry to the Ceylon Fisheries Corporation on 05 November 2010 on recovery basis to purchase fish and for daily expenses. Although 04 years had elapsed since the advance were granted, the Ministry had not taken action even up to 15 August 2015 to recover the balance amounting to Rs. 8 million from the Ceylon Fisheries Corporation.

- (e.) Out of the advances of Rs. 33,000,000 granted to the Cey-Nor Foundation Ltd., in 02 instances by the Dikovita Fisheries Harbour Project as temporary advances in the year 2012, a sum of Rs. 22,366,752 had been settled. The unsettled balance amounted to Rs. 10,633,248 as at 31 December 2014. Instead of settling the loan, the Cey-Nor Foundation had set off a sum of Rs. 3,358,648 against the bills receivable to the Foundation without approval.

### **3.6 Reconciliation Statement on the Advances to Public Officers Account**

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The following deficiencies were observed during the course of test check carried out on the Reconciliation Statement of the Advances to Public Officers Account, Item No. 13901 as at 31 December 2014.

- (a.) According to the Reconciliation Statement presented to audit, the Ministry had failed to recover the outstanding loan balance of Rs. 1,479,110 brought forward over periods ranging from 1 year to 29 years.
- (b.) In terms of Section 1.6 of Chapter XXIV of the Establishments Code, and the National Budget Circular, No. 118, dated 11 October 2004, unsettled loan balances should not be indicated between the Departments after the elapse of 02 months since an officer is transferred in, or after the elapse of 03 months since an officer is transferred out. Nevertheless, action had not been taken even up to the end of the year under review to recover loan balances amounting to Rs. 153,526 recoverable from 14 officers who had been transferred out and brought forward over a period exceeding 29 years from the year 1985 to 1994.
- (c.) Even though it was informed by the Committee for the Settlement of Advances to take action to recover the cancelled loan balances of transferred officer totalling Rs.45,910 due to various reasons, from the sureties, action had not been taken accordingly.
- (d.) Loan balances amounting to Rs. 261,810 remaining outstanding from the officers released to the Government Corporations and Projects. They had been released to those posts without settling the said loan balances in terms of Section 4.8 of the Chapter XXIV of the Establishments Code.
- (e.) Loan balances of Rs. 127,580 recoverable from 35 officers who had retired during the year 1985 to 1991, had not been recovered from their pension gratuity.
- (f.) The Ministry had failed to settle the loan balances of Rs. 62,569 recoverable from 10 officers who had died during the period from the year 1986 to the year 1995.
- (g.) The loan installments recoverable from a Driver interdicted on 01 October 1994, had not been recovered after October 2013. The outstanding balance that remained recoverable amounted to Rs. 14,000 by the end of the year under review.

- (h.) The loan balances of Rs. 664,471 recoverable from 24 officers who had vacated their services from the year 1980 to 01 April 2009, had been brought forward over a period of 27 years without being recovered.
- (i.) Action had not been taken to recover the loan balances of Rs.78,754 recoverable from 04 Private Security Officers whose services had been terminated along with the termination of the official period of a former Minister who held office from the year 1994 and 1995.

### **3.7 Assets Management**

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The deficiencies observed during the course of audit test check conducted on the assets of the Ministry, are as follows.

#### **(a.) Conducting Annual Boards of Survey**

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The reports of the Annual Board of Survey for the year 2014 should have been presented to the Auditor General before 17 March 2015 in accordance with the Public Finance Circular, No. 02/2014, dated 17 October 2014. Nevertheless, those reports had not been presented by the Ministry to audit even up to 15 August 2015.

#### **(b.) Assets Released to External Parties**

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A motor vehicle belonging to the Ministry had been assigned improperly to the Department of Fisheries and Aquatic Resources with effect from 21 April 2014.

#### **(c.) Improper Utilization of Assets Belonging to other Institutions**

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Three motor vehicles belonging to other institutions, had been utilized by the Ministry without a formal approval.

#### **(d.) Unsettled Liabilities**

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The unsettled liabilities of the Ministry brought forward over a period of 03 years amounted to Rs. 600,193,305 as at 31 December 2014. The following observations are made in that connection.

- (i) Liabilities totalling Rs. 229,983,736 had been committed exceeding the savings after utilization of the provisions made for the year under review without complying with the Financial Regulation 94(1).
- (ii) The amended estimated expenditure and the actual expenditure for the Fisheries Harbours and Anchorages Development Project, amounted to Rs. 453,000,000. The financial progress as at 31 December 2014 amounted to Rs. 575,427,739 indicating 127 per cent. Accordingly,



commitments amounting to Rs. 122,427,739 had been incurred in excess of the estimated provisions.

### 3.8 Non-compliances

#### Non-compliances with Laws, Rules, Regulations, etc.

Instances of non-compliance with the provisions of laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
<b>(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka</b>		
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Section 12.7 of Chapter VII	1,410,273	A total sum of Rs.1,410,273 had been paid as fuel and transport allowances from October 2012 to December 2014 to an officer who had been appointed on acting basis for the vacant post of Director (Development and Marine).
<b>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
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Financial Regulation 207 (2) and (3)	155,000	The fee for booking of the playground to conduct the Sinhala New Year Festival for which provisions had not been made by annual estimates, had been spent from the provisions made under the Object on training of the staff.
<b>(c) Circulars of the Presidential Secretariat</b>		
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Paragraph 3.4 of the Circular No.CA/1/17/1 of 14 May 2010	-	Contrary to provisions of the Circular, 08 and 04 motor vehicles had been given to the Office of the Minister and the Office of the Deputy Minister respectively.

**(d) Public Administration  
Circulars**

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| (i) Circular No.14/2008 of<br>06 June 2008                               | 1,890,124 | Monthly transport allowances at Rs.30,000 per officer had been paid in the year under review and preceding years to 04 officers, who are not entitled to transport allowances according to the Circular.  |
| (ii) Paragraphs 02 and 07 of<br>the Circular No.12/02 of<br>19 July 2000 | -         | Even though the practical training as apprentices can be given only for qualified students who had completed courses in the Public Training Institutions, contrary to that, two Accountants attached to the Ceylon Fishery Harbours Corporation had been released to the Ministry of Fisheries for the training in the post of Accountant. Certification of payment vouchers, authority for making payments and authority for signing cheques relating to the Official Bank Account of the Ministry had been delegated to them by the Secretary to the Ministry of Fisheries and Aquatic Resources. |

**(e) Treasury Circulars**

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|---|-----------|--|
| Circular No. IAI/2002/02 of<br>28 November 2002 | 1,638,357 | The Register of Fixed Assets on Computers Accessories and Software had not been updated. |
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**(f) Public Finance Circulars**

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|---|--------|--|
| Paragraphs 4.(I) and 4.(II) of<br>the Pensions Circular No.<br>4/2010 of 20 May 2010. | 93,901 | When refunding the contribution credited erroneously to the Public Service Provident Fund for 03 officers who are not entitled to that Fund, the Government contribution as well had been paid to them in addition to the contribution so recovered from them. |
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### **3.9 Foreign Aid Projects**

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#### **3.9.1 Post-Tsunami Rehabilitation and Resource Management Programme**

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The project period of the Project on Post-Tsunami Rehabilitation and Resource Management Programme financed by the International Fund for Agricultural Development and implemented by the Ministry had ended on 31 December 2013. A period up to 31 March 2014 had been given to complete the accounts of the Project. The following observations are made in that connection.

- (a) The financial statements of the Project relating to the period from 01 January to 31 March of the year under review had not been presented to audit even by 15 August 2015.
- (b) The Bank Reconciliation Statements of 02 Bank Accounts relating to the Project had not been prepared from April 2014. Action had not been taken even by 15 August 2015 to remit the balances amounting to Rs.4,499,790 that remained in those Bank Accounts to the Department of Treasury Operations and to close those Bank Accounts.
- (c) Liquidation Accounts after completing the Project, Performance Reports on the achievement of objectives of the Project and reports in respect of transfer of assets had not been made available to audit even by 15 August 2015.

#### **3.9.2 Achievement of Objectives from Completed Foreign Funded Projects and Non-submission of Reports on Transferring Assets thereof**

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The reports relating to achievement of objectives expected from the following completed foreign funded projects and the transfer of the assets purchased for the projects had not been furnished to Audit even by 31 December 2014.

<b>Projects</b>	<b>Date of Completion of Project</b>
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Tsunami Affected Areas Rebuilding Project	31.12.2010
Coastal Resources Management Project	30.06.2009
Post Tsunami Livelihood Assistance Co-operation Programme	30.09.2011
Delimitation of Outer Edge of Continental Margin of Sri Lanka Project	31.12.2012

### **3.10 Implementation of Projects under Domestic Financing**

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#### **3.10.1 Project on Development of Fishery Harbours and Anchorages**

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The approval of the Department of National Planning and the Cabinet of Ministers had been received to this Project on 17 June 2013 and 02 August 2013 respectively and its cost amounted to Rs.2,000 million. Functions such as construction of a fishery harbour, 02 anchorages, jetty and breakwater in 02 existing harbours and in a landing centre were included in that Project. The approval of the Cabinet of Ministers had been given on 05 September 2013 to award the contract of the construction in accordance with the Government Procurement Guidelines under the direct supervision of the Ministry of Fisheries and Aquatic Resources Development and the Ceylon Fishery Harbours Corporation and to carry out those constructions by Local Construction Institutions and to establish an Implementation and Operation Unit of the Project.

The following observations are made in this connection.

- (a) The project estimate had been increased up to Rs.5,505 million by including 08 other sub-projects costing Rs.3,505 million in the aforesaid Project in the year 2014 and the project period as well had been extended up to the year 2016. The approval of the Cabinet of Ministers had not been obtained for revisions of this Project.
- (b) The overall estimate had been revised as a sum of Rs.5,505 million by the budget estimate of the year 2015 and another two project activities costing Rs.400 million had been included and the project period had been extended up to the year 2017. Even though the approval of the Department of National Planning thereon had been obtained on 06 January 2015, the approval of the Cabinet of Ministers had not been obtained.
- (c) In the preparation of project proposals for the aforesaid functions of the Project, action had not been taken to obtain the approval of the Central Environmental Authority in terms of Financial Regulation 3(b) and to obtain licenses in terms of Section 14 of the Coast Conservation and Coast Resources Management Act, No.57 of 1981.
- (d) Even though the procurement activities should be carried out by the Cabinet Appointed Procurement Committee according to the cost of each approved sub-project in terms of Guideline 2.14.1 of the Government Procurement Guidelines, contrary to that, the cost of the sub-projects had been packaged so as to refer to the Ministry Procurement Committee and the approval had been granted by the Ministry Procurement Committee.
- (e) In the payment of allowances for the Procurement Committees and the Technical Evaluation Committees in terms of Guideline 2.9.1 of the Government Procurement Guidelines, allowances had been paid for each package instead of paying allowances by considering one project as a single procurement. Taking procurement action by packaging these projects was a measure taken by the Ministry to prevent the submission to the Cabinet Appointed Procurement Committee. As such, payment of

Procurement Committee allowances totalling Rs.1,007,500 separately for each package was a contentious issue. In terms of Guideline 2.9.1 of the Government Procurement Guidelines, if the Committees are qualified to obtain the allowances, the aforesaid evaluations should be done outside the normal working hours for being entitled to the Committee allowances. Nevertheless, there was no evidence of evaluations done outside the normal working hours.

- (f) Even though the procurement activities should be carried out resulting in least cost in terms of Guideline 1.2.1 of the Government Procurement Guidelines, a sum of Rs.5,501,754 had been paid to a State Company to obtain 02 weighbridges with the invoice value of Rs.4,401,403. Accordingly, a sum of Rs.1,100,351 had been overpaid to that company without a proper authority.
- (g) According to a notification of the Secretary to the Ministry of Fisheries and Aquatic Resources Development, a sum of Rs.20,000,000 had been paid on 30 July 2014 from the Project Fund to the Ceylon Fishery Harbours Corporation as an advance for the removal of sand collected around the estuary of the harboure and the harbor basin of the Panadura Fishery Harbour.
- (h) Even though 18 officers had been approved for the Project by the Department of Management Services, 29 officers had been recruited by the Project. A total sum of Rs.2,485,675 had been paid by August 2014 as salaries and allowances to 11 officers recruited without the approval. As such, these recruitments and payment of salaries had been made without a formal authority.
- (i) The Department of Management Services had given the approval for the recruitment of 4 drivers for the Project. As such, after deploying 4 drivers on full time, allowances totalling Rs.120,109 had been paid to three drivers of the Ceylon Fishery Harbours Corporation at a rate of 1/3 from their substantive salary up to August 2014.
- (j) Even though the laying foundation stone is a normal function of projects, expenses totalling Rs.1,758,650 comprising a sum of Rs.512,650 for 08 dance troupes, a sum of Rs.523,500 for stages , a sum of Rs.565,500 for printing of notices and posters and a sum of Rs.157,000 for balloons had been spent for ceremonies of the Projects such as Kalametiya Fishery Harbour and Anchorages at Kaikawala and Peraliya.
- (k) The Procurement Committee of the Project had approved the estimate valued at Rs.1,200,000 submitted by the Cey-Nor Foundation Ltd. for the foundation stone laying ceremony for the construction of Kalametiya Fishery Harbour and Anchorage at Kaikawala and the sum paid to that Company for the expenses thereon amounted to Rs.1,659,740. As such, a sum of Rs.459,470 had been spent exceeding the estimated amount without the prior approval of the relevant authority in terms of Guideline 3.4 of the Procurement Guidelines.

- (l) Even though the salary increments should be granted after an evaluation of annual performance in terms of paragraph 9.1 of the Management Services Circular No.33 of 05 April 2007, salary increments totalling Rs.16,605 had been paid to five officers from 01 November to 31 December 2014 without such a performance evaluation.
- (m) Even though an allowance of 50 per cent of the initial step of salary scales of similar posts in the Public Service can be granted to the support staff of projects in terms of the Management Services Circular No.33 (1) of 20 December 2007, the allowance of 50 per cent had been added to the initial salary and paid to the support staff of the project without the approval of the Department of Management Services.
- (n) Even though the cost of living allowance of the Project Director who was employed on part time basis should be obtained from the State Company which was the permanent service station, the cost of living allowance from January to December 2014 totalling Rs.93,600 had been paid by the project.
- (o) Even though the rate of payment of overtime per hour should be 1/240 of the monthly salary in terms of Section 6.1 of Chapter VIII of the Establishments Code, overtime had been paid to 06 officers based on an overtime rate more than that. As such, a total sum of Rs.40,233 had been overpaid.
- (p) In terms of Section 4.1 of Chapter XIV of the Establishments Code, when the total distance travelled on duty exceeds 7 miles and an officer spends more than 12 hours out of his station, the combined allowance which can be paid should have been Rs.500. A sum of Rs.104,523 spent exceeding Rs.500 per day for food and accommodation in 06 instances by 04 officers had been reimbursed by the Project.
- (q) Despite having facilities to travel by road and by rail from Colombo to Karainagar, contrary to Section 3.1 of Chapter XIV of the Establishments Code, a sum of Rs.35,000 had been paid to a private airline for travelling by air for two officers of the project from Rathmalana to Palali on 23 July 2014.
- (r) Even though a petty cash imprest of Rs.20,000 and a fuel imprest of Rs.100,000 had been paid based on the requirement of the Project, in terms of Financial Regulation 371 (2) (a), the approval of the Department of State Accounts for that had not been obtained.
- (s) A sum of Rs.90 million had been approved for researches, initial planning and preparation of estimates for acquisition of lands for the initial study project relating to the development of Silawathura, Gurunagar and Gandara Fishery Harbours. The following observations are made in that connection.
  - (i) The Project Procurement Committee had approved the fee of Rs.159 million submitted by the Contract Company for the preparation of preliminary plans and estimates of those harbours. Even though the estimated cost had exceeded by 77 per cent, the Procurement Committee had granted approval without giving reasons thereon.

- (ii) Even though in awarding the contracts for initial study, assignment of activities should be made at a pre-agreed fixed charge, it had not so done and, the contractor himself had approved the fee of Rs.159 million as a percentage of the cost estimates totalling Rs.18,221 million prepared for 3 harbours.
  - (iii) Competitive bids have not been invited in terms of Guidelines 3.2 and 3.3 of the Government Procurement Guidelines. Similarly, Bid invitations had been sent by fax to 04 suppliers selected previously without checking prequalifications of bidders. Accordingly, the contract had not been awarded on a proper agreement with the selected bidder. The reports to be maintained in terms of Guideline 6.1.4 of the Government Procurement Guidelines as well had not been made available to audit.
  - (iv) The Procurement Committee had approved the consultancy fees computed based on estimates including cost which could arise as a result of changing quotations unexpectedly. As such, consultancy fees of Rs.14.44 million had to be paid for contingent costs which could arise in the future.
- (t) The following observations are made in respect of construction of jetty at Kapparatota Anchorage.
- (i) Even though detailed estimates should be prepared by determining functions expected to be carried out by the Project, the Project Director had prepared a rough estimate of Rs.455 million for the overall function at a rate of Rs.350,000 per square metre for the construction of jetty at Kapparatota Anchorage.
  - (ii) Even though obtaining the prior approval and awarding the construction contract should be carried out for holding the ceremony of laying the foundation stone of the project, a sum of Rs.2,665,975 had been spent for the conduct of the ceremony for laying the foundation stone before carrying out those functions, that is, on 15 March 2014.
  - (iii) An estimate had not been prepared for the ceremony for laying the foundation stone and all functions had been assigned to a private institution without inviting for bids and the approval of the Procurement Committee. Advances amounting to Rs.1,599,585 had been paid to that private institution for that purpose. That private institution had submitted an estimate and settled advances without bills instead of an invoice.
  - (iv) Even though laying the foundation stone of the Project on construction of the jetty was a normal function of the Project, according to the expenditure estimate, a grand ceremony had been conducted by spending Rs.2.7 million. As such, action had not been taken in utilization of Public funds so as to ensure economy and minimize the waste.
  - (v) Even though agreements had been signed with the contract institution on 23 October 2014 for the constructions of the Project, constructions had not been commenced even by 15 July 2015, the date of audit.

- (u) The following observations are made in respect of construction of Kalamatiya Fishery Harbour.
- (i) According to the newspaper advertisement for inviting competitive bids for the construction of this harbour, the Project had been named as 06 packages and bids had been called separately. Except for one company out of five bidders who submitted bids, other companies had submitted bids for 06 packages by considering each package as a separate contract. As the relevant bidders had added the preliminary cost to each bid, the total cost of the contract had taken a high value. The total cost estimate of the bidder who had not submitted packages separately had taken a low value than the other bidders. As all bidders had not been informed at the Pre Bid Meeting held before submitting bids that bids should be submitted as a whole, it had affected the transparency of this procurement.
  - (ii) The company which had not submitted bids separately by considering 06 packages of the project as 06 contracts had been selected as the contractor and as that company as well had included certain preliminary costs in the 06 packages repeatedly, the cost of the project had increased.
  - (iii) According to Guidelines 5.3.14 and 5.3.15 of the Government Procurement Guidelines, all parties expected to submit bids, had not been made aware of changes made in conditions of inviting for bids. As such, the minimum bid had not been selected for the construction of Kalamatiya Fishery Harbour due to failure in submitting the value of bid bonds. As such, a financial loss of Rs.33,810,036 had been sustained by the Government. Further, all bidders had not been made aware of the removal of an item of Bill of Quantities. As such, in the evaluation of the bid of the bidder who submitted the minimum bid, the financial saving of Rs.12,500,000 which could have been obtained by evaluating the bid after removing that item had been deprived of to the Government.
  - (iv) The estimate had deviated from practicality due to the reasons such as existence of unusual variances in the ratios relevant to each package of similar items and large differences between the quotations of the contractors and the quotations in the estimate for certain items in the engineering estimate prepared by the Consulting Company of the Project. The unit cost which should be changed according to the depth of the breakwater, had varied unusually. It was observed that the estimate had been prepared by the institution which prepared the engineering estimate, considering only the total cost.
  - (v) The values of the items in the engineering estimate of the Project and 67 items in the estimate of the selected contractor had been unusually similar. As such, that there had been a collusion between the Project Consulting Company and the contractor could not be ruled out in audit.
  - (vi) Even though mobilization advances amounting to Rs.29,948,360 had been paid on 17 July 2014 for purposes such as the jetty wall, access bridge and



coast infrastructure facilities relevant to Package VI, no constructions whatsoever relating to that had been commenced even at the physical verification carried out by Audit on 06 May 2015. Nevertheless, an interim payment of Rs.3,676,251 had been made thereon, including extra works amounting to Rs.2,662,072 in that payment and this payment had been recommended by the Consulting Company. As such, it was observed that the Company had not properly fulfilled its responsibility and had acted negligently.

- (vii) As mentioned in the engineering estimate as well, the contractor had agreed to supply 02 motor vehicles for the Kalametiya Harbour Construction Project and to provide expenses relating to that. One such motor vehicle had been obtained for the use of the Project Director and as such, the independence of that officer had been challenged. The motor vehicle so supplied had been the motor vehicle the Project Director used earlier and despite the fuel expenditure being Rs.171,605 for a period of 09 months, the contractor had estimated the fuel expenditure as Rs.165,000 per month and added to the bills in supplying the motor vehicle. As such, the Project had to incur an expenditure of over eight times the actual expenditure.
- (viii) The contractor had paid a monthly salary of Rs.100,000 to a Work Site Engineer appointed by the Project from 08 December 2014 and had taken action to obtain that salary from the Project by including it in the bills. The independence of the staff of the Project had been subjected to controversy by making the contractor pay the salary of the Engineer appointed by the Project in this manner. The recruitment of this Engineer and the payment of his salary had not been made in terms of the Management Services Circular No. 33 of 05 April 2007.
- (ix) Even though the contractor had supplied the Resident Engineer and the employer staff with office space facilities, office equipment, accommodation and furniture and other facilities, out of those assets, certain assets had remained idle and certain assets had remained underutilized by 06 May 2015. However, payments had been made to the contractor therefor.
- (x) The Government had acquired on 11 September 2014 the private land on which the buildings of the Project were expected to be constructed, by the Notification published in the Gazette No. 1879/9. However, action had not been taken even by 15 July 2015 to pay compensation therefor.
- (v) The following observations are made in respect of construction of the Maradana Anchorage.
  - (i) The contract of construction of the Maradana Anchorage had been awarded on 23 October 2013 to a State Company for Rs.200 million contrary to Guidelines 2.2.1 and 2.4.1 of the Government Procurement Guidelines and the Cabinet Decision of 05 September 2013 without inviting for competitive bids.

- (ii) Even though the Procurement Committee should be satisfied with the capacity of the relevant company in awarding direct contracts, the approval of awarding a contract of construction to the State Company established for the manufacture and sale of fishing gear and boats had been contentious. However, that Company had assigned the constructions of the contract to a sub-contractor for a sum of Rs.62,000,000 by breaching the agreement entered into with the Ministry.
  - (iii) Even though a Detailed Cost Estimate should be prepared before inviting for bids for the contract, the procurement entity had not taken steps therefor and the contractor himself had prepared that estimate.
  - (iv) Despite assigning the functions such as the supervision and administration of the relevant contract to the State Company, the approval of the appointment of a consulting company for the supervision and administration of the contract by the Project Procurement Committee and the payment of Rs.5,248,886 for that had been contentious. It was further observed that the Ministry had entered into an agreement as well, before the approval of the appointment of the consulting company by the Procurement Committee.
  - (v) Advances of Rs.40,000,000 had been paid to that Company for the Project without an advance payment guarantee contrary to Guideline 5.4.4(1) of the Government Procurement Guidelines and in awarding contracts performance security as well had not been obtained in terms of Guideline 5.4.8 of the Government Procurement Guidelines.
- (w) The following observations are made in respect of the Negombo Lagoon Development Project.
- (i) The Secretary to the Ministry of Fisheries and Aquatic Resources Development had granted approval on 24 December 2014 to award the preliminary works of the Negombo Lagoon Development Project of the Ceylon Fishery Harbours Corporation in terms of Guideline 3.3 of the Government Procurement Guidelines without preparing a Total Cost Estimate for inviting competitive bids.
  - (ii) Instead of preparing the Total Cost Estimate and obtaining approval of the Cabinet Appointed Procurement Committee, a methodology had been followed in which that Total Cost Estimate had been prepared with several sub-sections from time to time and obtained approval by submitting to the Ministry Procurement Committee. In the awarding of the contract to the Ceylon Fishery Harbour Corporation at the estimate of Rs.99 million for preliminary works prepared by that Corporation, the approval of the Ministry Procurement Committee in terms of Guideline 2.14.1 of the Government Procurement Guidelines had not been obtained.
  - (iii) The Corporation had submitted an estimate afterwards by revising the relevant contract value to a sum of Rs.99.997 million without taking action to enter into a contract agreement.

- (iv) The sum of Rs.5 million estimated for laying the foundation stone and the activities related thereto, in the relevant estimate had been paid to the Chairman of the Ceylon Fishery Harbours Corporation on the approval of the Secretary to the Ministry. That amount had been paid by the Chairman of the Corporation as advances to a private firm for the inaugural ceremony of the Negombo Lagoon Development Project. The relevant firm had not been selected by inviting for bids. Even though the estimate of Rs.8,950,000 submitted by that firm was relevant to the inaugural ceremony, the cost for each item had not been indicated separately.
- (v) The advance of Rs.5 million paid for the inaugural ceremony of the Project had not been settled even by 15 August 2015 while the work of the project as well had not been commenced.
- (vi) Even though laying the foundation stone for the Lagoon Development Project was a normal function, according to the estimate of Rs.8.9 million submitted, it had not been prepared in a manner so as to ensure economy in the use of public funds .
- (vii) Despite non-estimation for establishing a Coordinating Officer under this Project, a sum of Rs.574,080 had been spent to purchase office equipment to the Coordinating Office on the approval of the Project Director. That Office had been closed down on 31 March 2015. As such, the assets purchased had been given to the Ceylon Fishery Harbours Corporation without approval.
- (viii) A sum of Rs.103,600 had been paid to a reception hall in the Negombo area for obtaining food and beverages for 103 persons on 18 July 2014 in respect of a field tour relating to the Project. Prior approval had not been obtained for that payment and having that group participate in the observation tour and the expenditure incurred on entertaining them had been an uneconomic expenditure.
- (x) The following observations are made in respect of the Kaikawala Anchorage Construction Project.
  - (i) Even though the Technical Evaluation Committee had recommended the institution which had fulfilled the qualifications and submitted the minimum quotation, in the selection of a consultation firm for this Project, the Project Procurement Committee had approved an institution which had submitted a higher bid, without considering that recommendation. As such, the Government had to sustain a financial loss of Rs.1,583,000. The expertise of the staff of that institution had been mentioned as reasons for selecting that institution. That institution had been functioning as the consulting firm for the construction of the fisheries harbours and anchorages at Maradana, Pereliya, Kapparathota and Kalametiya without adequate staff.

- (ii) The contract value of this Project on Construction of Anchorages was Rs.245,800,810 and it had exceeded the engineering estimate of Rs.245,170,850 by a sum Rs.629,960.
- (iii) Bids had been invited by a newspaper advertisement for selecting a contractor to construct the anchorage and a condition that marine constructions exceeding Rs.700 million should have been carried out, had been included as a pre-qualification for considering bids. Subsequently, the Project Director had revised the cost limit of these marine constructions to Rs.500 million. Nevertheless, that revision had not been made public. As such, only two bidders had submitted quotations. Action had not been taken in accordance with the condition that fair, equal and maximum opportunities should be provided to the parties who are interested to participate in terms of Guideline 1.2(c) of the Government Procurement Guidelines.
- (iv) In the preparation of the engineering estimate, the Consulting Company had divided the Project into 02 packages and the preliminary cost for Package I and II amounted to Rs.24,643,000 and Rs.21,768,000 respectively. Out of 40 Items of Bills of Quantities for Preliminary Expenditure, except for 04 Items, equal cost estimates had been prepared for the other 36 Items in the 02 packages and the cost had been over-computed due to including the preliminary cost twice.
- (v) Despite the length of the breakwater for Packages I and II being 800 chains and 700 chains respectively, the number of units and cost in the items of the Bills of Quantities shown in Dredging, Excavation and Earthwork under Bill No.02 of the engineering estimate, had been indicated in an unusually equal manner.
- (vi) As the Project Director had suspended the constructions of the Project from 29 December 2014, bills for a sum of Rs.27,440,142 (excluding Value Added Tax) for the period from January up to April 2015 had been submitted by the contractor in terms of Section 8.8 of the Project Agreement for machinery, labour and motor vehicles etc. that remained in the premises.
- (vii) Even though the expenditure for preparing and fixing the granite monument which marked the inauguration of the Kaikawala Anchorage in the specified place amounted to Rs.47,500, spending Rs.200,000 for preparing a commemorative plaque on a granite stone located in the Kalametiya Fishery Harbour had been an uneconomic expenditure.
- (y) Even though the Reports on Annual Board of Survey for 2014 should have been presented to the Auditor General before 31 March 2015 in terms of Public Finance Circular No.02/2014 of 17 October 2014, the Project had not conducted the Board of Survey even up to 15 August 2015, the date of audit.

### 3.10.2 Dickowita Fishery Harbour Project

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The following observations are made in respect of this project.

- (a) Even though a sum of Rs.128 million had been allocated out of the provisions of Rs.2,000 million made from the Budget Estimates of 2014 for the Project on the Development of the Fishery Harbour, Anchorage and Jetty a sum of Rs.128 million had been allocated by the Cabinet Decision No. CM /14/0749/532/00-1 of 11 July 2014, a sum of Rs.80 million only had been utilized by this Project and as such, out of the amount allocated, a sum of Rs.48 million representing 37.5 per cent had not been used.
- (b) Fixed assets valued at Rs.201,260,414 had been acquired from the aforesaid Project as at 31 December 2014 and the Construction Cost of the Project amounted to Rs.8,229,278,640. Even though the fishery harbour had been handed over after completing the constructions to the Ceylon Fishery Harbours Corporation for its operations, action had not been taken even by 15 August 2015 to vest the harbour and its assets legally.
- (c) According to the Register of Fixed Assets of the Project, assets valued at Rs.57,254,733 had been in the custody of the Cey-Nor Foundation Ltd. and assets valued at Rs.4,493,774 had been in the custody of the Ceylon Fishery Harbours Corporation. Moreover, out of 05 Double Cab vehicles purchased from the project for Rs.7,695,902 each, two Double Cab vehicles to the Department of Fisheries and Aquatic Resources, one Cab vehicle each to the Ceylon Fishery Harbours Corporation, the Cey-Nor Foundation Ltd. and to the Office of the Fishery Harbour Anchorage Development Project had been handed over directly by the Project. Action had not been taken to handover those vehicles through the Secretary to the Ministry of Fisheries and Aquatic Resource Development and the Issue Order or the goods received notes or a document in support of the receipt of goods, had not been obtained from the relevant institutions.
- (d) The function of designing boats had not been assigned by the Dickowita Fishery Harbour Construction Project. However, the Project had purchased a Computer Software Licence on designing boats for a sum of Rs.9,664,584 on 30 April 2014. The Cey-Nor Foundation Ltd. had been mentioned as the buyer of that Computer Software. The following observations are made in this connection.
  - (i) Even though the Project Procurement Committee had on 09 November 2011 approved the purchase of the software for 42,250 Pounds Sterling (Rs.7,520,500), that Committee had again invited a fresh quotation on 17 May 2014 stating that the usefulness of the software had increased. The purchase of the software had been approved for 44,225 Pounds Sterling (Rs.9,243,025) and as such, the approval had been granted for the overpayment of Rs.1,722,525.
  - (ii) As this Software Licence Agreement had been signed on 07 January 2013, a period of two years and 06 months had elapsed after making the purchase, by

the date of audit. However, this software had not been made use of during that period and as such, it had become an idle asset. Moreover, according to the agreement, the licence period was due to expire on 07 January 2018.

- (e) It had been agreed to provide repairing of boats and vessels for a concessionary rate for fishermen as a means of settling the expenditure in repairing the Mattakkuliya Boat Yard of the Cey-Nor Foundation Ltd. by spending a sum of Rs.180 million out of the provisions of the Dickowita Fishery Harbour Project. Even though the Committee on Public Accounts of Parliament had directed on 13 January 2013 to prepare a scheme therefor, such a scheme had not been presented even by 15 August 2015, the date of audit.

### **3.10.3 Projects abandoned without commencing**

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Even though provisions of Rs.2,150,000 had been made to the Ministry for obtaining knowledge on producing nutritious diya hakuru using the residue from production of Maldivian fish, that project had been abandoned without commencing.

### **3.10.4 Projects without Progress despite the release of Money**

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**Even though the Ministry had released money for certain projects, no successful progress had been achieved from those projects. The following observations are made in this connection.**

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- (a) Provisions of Rs.500,000 had been made for the production of fish soup cubes and out of that, soup cubes had been produced by spending a sum of Rs.400,000. However, action had not been taken to introduce it to the market and to expand it.
- (b) Funds had been given on 14 February to the Ceylon Fisheries Corporation for the construction of a fish stall at the Jaffna Tappal Kade Junction in Jaffna at an estimated value of Rs.1,700,000. The expected targets had not been achieved even by 31 December 2014 and the progress of the activity as at that date had been only about 25 per cent.
- (c) Even though a sum of Rs.250,000 had been estimated to construct the community hall of the Suhada Kantha Fishery Society at Melwatte, Mukalangamuwa in Seeduwa, Gampaha District and the amount released to the District Secretary, Gampaha, its physical performance as at 31 December 2014 had been about 50 per cent.
- (d) The Ministry had entered into an agreement with a foreign supplier for the purchase of 02 mother vessels for a sum of Rs.326,016,000 and a sum of Rs.113,556,801 had been paid by 31 August 2015 therefor.

The following observations are made in this connection.

- (i) Nine years had elapsed after the commencement of the project with a view to supplying two mother vessels with “ganiyons”, fuel, food, ice, for multi- day

vessels in harvesting the deep sea fishery resource using the long line system and refrigerator facilities required to preserve the yield of the fish resource without being perished. Nevertheless, the Ministry had failed to fulfill that objective even by 31 August 2015, the date of audit.

- (ii) Even though provisions had been made annually for this project from the year 2006 up to the year 2013, a sum of Rs.541,018,038 out of those provisions, had been transferred to other Objects. The attention of the Secretary to the Ministry had been drawn by the Cabinet Decision No.13/1103/532/011 of 22 August 2013 to ensure that the existing resources are used effectively and that strict supervision should be carried out in respect of this function.
- (iii) According to the new agreement entered into with the supplier on 31 October 2013 in respect of supply of vessels, it had been agreed to complete and handover 02 mother vessels within 09 months from opening the Letter of Credit. Those fishing vessels had not been handed over even by 15 August 2015 and, legal action thereon could not be taken as the manner of action to be taken on delay in handover had not been included in the agreement.
- (iv) An agreement had been entered into with a State Company for development of technical specifications required for the operation of vessels and to provide consultancy services and a sum of Rs.1,544,726 had been paid therefor in the year under review. The approval of the Procurement Committee had not been obtained for that payment and no report whatsoever including technical specifications had been submitted even by 15 August 2015.
- (v) The purchase of the vessels had not been finalised even by 15 August 2015, the date of audit. As such, the sum of Rs.113,556,801 spent for this project was observed as a financial loss to the Government.

### **3.10.5 Money released without Supply of Goods and Services**

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Two hundred and three fishing boats, outriggers and 1,585 sets of fishing nets valued at Rs.16,523,074 had been ordered to be supplied to the National Aquaculture Development Authority before 20 December 2014. The supplier had handed over goods valued at Rs.8,005,588 to the Ministry by 31 December 2014. The Ministry had paid a sum of Rs.14,079,500 to the supplier without obtaining confirmation whether the goods so supplied had been manufactured according to the relevant specifications, were received accurately with accessories and had been entered in books. Even though fresh water fishing gear costing Rs.16,523,074, had been agreed to be distributed in 11 districts according to the Financial Plan for the year 2014, they had not been distributed in 10 districts even by 15 August 2015, the date of audit and follow up action thereon had not been taken by the Ministry.

### **3.11 Performance**

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According to the Annual Budget Estimates and the Action Plan for 2014, observations on the progress of the Ministry are as follows.

- (a) Provisions amounting to Rs.43,810,000 had been made by the revised budget for the construction of buildings under the Coastal Rehabilitation and Resources Management Project. Contrary to the objectives of that project, provisions of Rs.40,119,509 had been utilized out of that provisions for the purchase of fishing gear, administrative expenditure of the Fishermen's Pension Scheme and transferring the provisions for other Objects. Accordingly, only 8.4 per cent of the provisions made had been utilized for the expected purposes.
- (b) In order to purchase equipment for the fishing community of the Kurunegala, Puttalama and Kegalle Districts and enhance the infrastructure facilities, provisions amounting to Rs.15,000,000 had been made under the *Deyatakirula Development Programme*. A sum of Rs.5,040,000 out of that provisions had been granted to the Ceylon Fisheries Corporation for the implementation of programmes under the *Deyatakirula Programme, 2014*. Herein, the Ministry had failed to reach the targets set for the betterment of the fishing communities of the relevant districts and the progress of the fisheries sector of the *Deyata Kirula Programme* was 60.2 per cent only.
- (c) Although it had been specified that a sum of Rs.150,000 had been spent for the development activities such as supply of electricity and the construction of an access road for the fish market proposed to be implemented under the *Deyata Kirula Programme*, the progress of its financial and physical performance had not been included in the Progress Report of the year 2014.
- (d) Although provisions of Rs.225,000,000 had been made for the construction of Aquaculture Farming Project Office, Iranama, its expenditure was Rs.169,707,103. Accordingly, the financial performance of the relevant activity was 75 per cent.
- (e) Although advances amounting to Rs.48.92 million had been paid to a State Company for the purchase of fishing gear under the strengthening of fishing communities, the relevant activity had not been carried out and the details relating to the physical progress had not been included in the Performance Report of the year 2014.
- (f) Neither the financial progress nor the physical progress had been specified in the Performance Report, 2014 in connection with the Rs.20.01 million released to 12 estimated projects under the subject of strengthening of fishing communities.
- (g) Although a sum of Rs.16.85 million had been granted for the Northern Province to provide alternative fishing nets in place of the fishing nets laid on the seabed, details on the physical progress of that task had not been furnished to audit.



### 3.12 **Deficiencies in the Operation of Bank Accounts**

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The following observations are made

#### (a) **Dormant Bank Accounts**

Out of 04 Current Accounts maintained by the Ministry, there were zero balances in 03 Current Accounts as at 31 December 2014 and a favourable balance of Rs.28,618 of one Current Account had remained dormant over a period of 5 years and 6 months.

#### (b) **Non-confirmation of Balances**

Confirmations of Balances totaling Rs.140,774,386 as at 31 December 2014 relating to 05 Bank Accounts had not been furnished to audit.

### 3.14 **Transactions of Contentious Nature**

The Ministry had spent a sum of Rs.3,188,188 for the expenditure of a public company established under the name of National Fisheries Federation on 12 June 2013.

### 3.15 **Irregular Transactions**

Several irregular transactions entered into by the Ministry are given below.

#### (a) **Deviation from Government Procurement Guidelines**

The following observations are made in this connection.

- When leasing out the cafeteria constructed by the Ministry, action had not been taken to select a lessee by way of calling for competitive quotations as required by the Guideline 3.2 of the Government Procurement Guidelines.
- Even though the goods of the cafeteria valued at Rs. 6,516,009 had been handed over to the lessee, and adequate security deposit had not been obtained thereon. Contrary to the Guideline 5.3.13 of the Government Procurement Guidelines, the payment of the security deposit of Rs. 60,000 had been allowed in 02 installments.

#### (ii) **Constructions in the Ministry Premises**

Fixing the main access door of the Ministry building, construction of 03 VIP garages and laying blocks in front of the cafeteria had been carried out at a cost of Rs. 1,450,327. The following observations are made in this connection.

- The Ministry had not prepared the estimates for these activities and these activities had been entrusted to a private company up on the approval of the Minor Procurement Committee of the Ministry considering the quotations submitted by the above company as the estimates.
- In this connection, the procurement procedure had not been followed in terms of Guidelines 3.3 and 3.4 of the Government Procurement Guidelines. As a result, the Ministry had not taken action in a manner resulting a maximum economic benefit to the Government. Even though the Guideline 3.8 of the

Government Procurement Guidelines has specifically stated this emergency procurements, contrary to that, the above activity had been done as an emergency procurement activity.

**(b) Transactions without Authority**

Certain transactions entered into by the Ministry had been carried out without authority. Several such instances observed are given below.

**(i) Conduct of Training Programmes for Senior Staff Officers.**

The following observations are made in this connection

- Out of Rs.822,029 spent for the Management and Productivity Promotion Programme of the Senior Staff Officers, a sum of Rs.467,029 had been spent out of the provisions made for the Object No.139-02-03-05-2502 “ Strengthening of Fishing Community”
- A workshop for 69 Staff Senior Officers had been conducted at the National Aquatic Farming Authority Training Centre, Kalawewa on 22 and 23 August 2014. A sum of Rs.508,554 had been spent for the provision of meals and hostel facilities in respect of 140 officers.
- Although a special bus had been obtained from a private institution by spending Rs.72,800 to provide transport facilities to all the officers attending the workshop at the Training Centre, as the Senior Staff Officers had travelled even in the vehicles belonging to the Ministry, a sum of Rs.74,918 had been spent for the fuel in that respect.
- The resource persons of the workshop who had been involved at personal level had been paid a sum of Rs.30,000 for a lecture of 1 hour and 45 minutes and Rs.85,000 for a lecture of 4 hours. The basis used for the appointment of those resource persons and the basis for making their payments had not been made available to audit.
- According to the audit test check carried out on 03 motor vehicles of the Ministry deployed for the workshop, those vehicles had been run for 2,338 kilometers during that period and the vehicles being run for 573 kilometers in the areas such as Kalawewa, Thambuththegama, Kekirawa, Galenbindunuwewa and Eppawala during the period in which the workshop was in operation and that was of contentious nature.

**3.16 Losses and Damages**

The following observations are made

- (a) While a motor vehicle belonging to the Ministry was running in the Matale area on 11 August 2013 without any assigned duty relating to the area or any officer in charge of the vehicle, it had met with an accident.

The following observations are made in this connection.

- (i) At the time of the accident, the vehicle was not driven by a driver of the Ministry.
  - (ii) Action in terms of the Financial Regulations 104,109 and 110 had not been taken in connection with the accident.
  - (iii) The estimate for the repair of the vehicle that met with the accident was Rs.512,000 and the Ministry had spent a sum of Rs.24,000 to carry that vehicle from Matale to Colombo. The maximum value recovered from the relevant insurance company for the accident was Rs.300,000. Nevertheless, the Ministry had not taken action to recover the loss of Rs.238,080 caused due to the accident from the parties responsible.
  - (iv) The vehicle had not been repaired even by 15 August 2015, the date of audit and it had been parked in a garage nearly for two years exposed to elements.
  - (v) The Daily Running Charts of this vehicle relating to of July and August 2013, particulars of the inquiry conducted by the Ministry in relation to the accident and the details on the case filed in the Matale Court had not been made available to audit.
- (b) A loss amounting to Rs.939,173 had been incurred due to an accident caused to a motor vehicle. That loss had not been entered in the Register of Motor Vehicle Accidents. Those losses, the payment for which was rejected by the insurance company had been caused by the driver who had been deployed in the service on casual basis and had left the service by 31 December 2014. The Ministry had not instituted legal action to recover those losses from the parties responsible.
- (c) Sixteen motor vehicles of the Ministry had been damaged as a result of accidents caused during the year under review and the preceding years. Action in terms of Financial Regulations 104,109, and 110 had not been taken by the Ministry in connection with those losses and damage.
- (d) The tax amounting to Rs. 11,159,159 underpaid owing to the erroneous computation of tax to the company which carried out development activities of the Hikkaduwa and Panadura Fisheries Harbours and the relevant interest of Rs.15,089,987 had been paid by the Ministry in the year 2010 on the Court orders. The following observations are made in this connection.
- (i) Although it had been reported according to the internal inquiry conducted on 13 January 2010 that the loss of Rs.15,098,897 had not been due to the irregularity or any delay of the officers, according to the following observations those losses had incurred as a result of the negligence and the delays of the officers. Therefore, those losses had not been included in the Register of Losses and Damage and action had not been taken to recover it from the officers responsible.
    - The officers concerned should have taken action to get the agreement revised in accordance with the tax revisions and the officers approving the payments should be responsible for the correctness of the payments.

- The judgement had been delivered on 26 January 2007 and according to the said judgement, the interest should be paid until the date on which the payment is made and as such the officers should have taken action to expedite the relevant payments. Accordingly, the officers concerned should be responsible for the delay in obtaining the copy of the judgment up to 25 February 2009 and the delay in requesting the provisions from the Treasury up to 19 October 2009 after being informed by the Attorney General on 29 April 2009 that the appeal could not be made.
  - Although the Director General of the National Budget had informed the Secretary on 16 December 2009 that the payment be made out of the provisions, 2009 and recovered them from the officers responsible, action had not been taken accordingly.
- (ii) Even though the Committee on Public Accounts had made a directive at the meeting held on 13 January 2013 that an inquiry should be held in this connection, action had not been taken to conduct an inquiry and send a report thereon even by 31 August 2015, the date of audit.
- (e) As a cost estimate had not been prepared for the entire work in carrying out renovations in the sixth floor of the Ministry building, the sum of Rs.159,477 spent for the raw materials purchased in excess was a loss incurred by the Ministry.

### **3.17 Uneconomic Transactions**

The particulars of transactions entered into devoid of economy revealed during the course of test checks are given below.

#### **3.17.1 Indian Ocean Conference**

The following observations are made on the conduct of Indian Ocean Fishermen Conference and the Eleventh Session of the Financial and Administration Standing Committee and the Eleventh Session of the Conformity Committee held concurrently in Sri Lanka, from 26 May to 05 June 2014.

- (a) Even though the surcharge of Rs.460,625 for obtaining hall facilities for the above committee meetings from the Bandaranaike Memorial International Conference Hall had been paid by the Ministry, the particulars on that surcharge had not been furnished to Audit.
- (b) The number of foreign and local delegates participated in the three conferences had been 328 and 44 respectively. Whilst, document folders and souvenirs for 500 representatives had been purchased. Accordingly, a sum of Rs.76,800 for document folders and Rs.385,280 for the souvenirs inclusive of Sri Lankan Spices purchased for the foreign representatives had been spent exceeding the requirement by the Ministry. The information on action taken on the remaining souvenirs had not been furnished to the Audit.

- (c) A private institution had been selected by calling for quotations for management of the Conference and the Ministry had entered into a Memorandum of Understanding with the said institution in that connection. For the bills valued at Rs. 19,840,552 submitted by the said institution, a sum of Rs.16,522,867 had been paid as at 31 December 2014. The following observations are made in that connection.
- (i) The service supplier had not been made aware on the matters such as channels to be selected for broadcasting television and radio advertisements relating to the Conference, the persons to be participated in, the content of the advertisements and the duration of the publicity.
  - (ii) A sum of Rs. 1,713,600 had been paid for an invoice submitted by a private media institution in respect of broadcasting a radio advertisement and a sum of Rs. 3,976,409 had been paid for a photocopy of an invoice submitted by a private media institution in respect of telecasting a television advertisements. Any information such as for which matter and for which institution those invoices had been submitted, the dates, time, air time and the number of publicity given relating to those advertisements had not been obtained and the receipts obtained from the relevant media institutions had not been made available to audit.
  - (iii) It had been specified in the Memorandum of Understanding that the newspaper advertisements including a special count down on the conference should be published so as to cover a full page in three newspapers in Sinhala, English and Tamil media on the inauguration day of the conference. Even though advertisements had been published in two Sinhala newspapers and one English newspaper at a cost of Rs.1,850,000, action had not been taken to publish advertisements on Tamil newspapers. As advertisements had been published on two Sinhala newspapers, the payment of Rs.493,920 for the publication of an additional Sinhala advertisement had been made without approval.
  - (iv) As the value of the bills presented for the newspaper advertisements was Rs.1,507,520, a sum of Rs.342,480 had been overpaid to the service supplier.
  - (v) In the submission of quotations by the relevant supplier, an estimate of Rs.1,650,000 had been submitted for the transport of 500 representatives of the Conference from the hotels to the Bandaranaike Memorial International Conference Hall for 10 days by using luxury cars, vans and buses. Since the total number of foreign representatives participated in the conference had been 328, the transport cost as well should have been relatively decreased, whereas the total amount had been included in the bill without presenting the detailed bills.
  - (vi) The approval had been granted to print 200 VVIP invitation cards at accost of Rs.370,000 for the inauguration ceremony of the Conference. As 250 invitation cards had been printed, a sum of Rs.92,500 had been paid for additionally printed 50 invitation cards that had been printed exceeding the requirement without a request or an approval.
  - (vii) In respect of the dinner organized relating to the conference on 01 June 2014 in a hotel in Colombo, the Ministry had directly settled the bills totaling Rs.2,085,141 to the respective hotels. As the service supplying institution had also included that bill value in its invoice and deducted the value of the hotel bills from it, a

sum of Rs.312,000 had been overpaid to that institution as the event management charge of 15 per cent.

- (viii) For the supply of 500 file folders to the representative of the conference, although an estimate amounting to Rs.795,000 was prepared by the service supplying institute, the actual expenditure was Rs.662,500. Nevertheless, in making payments, the event management charge had been computed based on the estimate and as such a sum of Rs.19,875 had been overpaid to that institute.

### **3.17.2 Self- Employment Programme for the Development of Livelihood of the Fishing Community**

In order to improve the livelihood of the fishing community in Negombo area, equipment had been purchased at a cost of Rs.10,438,320 for a project of distributing equipment required for the self-employment trainings and self-employments to the women of the fishing families.

The following observations are made in this connection.

- (a) Quotations had been obtained from 03 institutions for the purchase of 18 kinds of items. Without purchasing those items from the institution that had forwarded the minimum quotation according to the Government Procurement Guidelines, those had been purchased from a State Institution at a cost of Rs.10,438,320. Accordingly, a financial loss of Rs.1,341,856 had been incurred from that procurement.
- (b) According to the invoices submitted by the said company and the notifications to the effect that the items were supplied on 29 and 30 December 2014, it had not been established whether the equipment valued at Rs.1,194,380 had been delivered or received and that equipment valued at Rs.8,524,520 had been received by the District Fisheries Office, Negombo. After the cheque was prepared to pay a sum of Rs.10,516,095 to the supplier on 31 December 2014, it had been cancelled and that money had been deposited in the General Deposit Account on 15 February 2015.
- (c) Invoices had not been issued for 04 Gas cookers and 53 Ladies Bicycles Valued at Rs.796,895 included in the payment bills and no certificate whatsoever had been furnished to the effect that those items were received.
- (d) Even though the payments had been made for an invoice valued at Rs.217,800 which indicated that 1,200 units containing 600 pencil boxes and mathematic equipment had been issued, neither the approval of the Procurement Committee had been obtained nor the order had been made to purchase such equipment.
- (e) The following instances of contentious nature were observed during the course of audit test check conducted in connection with the purchase and distribution of the above equipment.
  - (i) Provisions had not been made by the Budget Estimate 2014 for the self-employment training and the distribution of equipment and such activity had not been included even in the Procurement Plan,2014.

- (ii) Provisions had been made under 06 self-employment projects for the development of livelihood of the fishing community. One out of the above projects had spent a sum of Rs.102,500 for the production and sale of dried fish considering it as a direct fisheries related industry. In the distribution of equipment under the above programme, this project had been omitted. Accordingly, a sum of Rs.10,516,095 had been spent by this programme for the projects such as sewing industry, food processing, production of spices, poultry farming and floriculture which were not related to the fishing industry.
- (iii) It could not be confirmed in the audit that the list of equipment for self-employment presented by the Acting Minister of Fisheries had been those related to the projects which provided self-employment training and that those equipment had been handed over to the persons who were provided with self-employment training due to not making available to audit the details relating to the distribution of equipment.
- (iv) The purchase of 121 Juki Sewing Machines costing Rs.4,476,879 to provide for the self-employment under this programme, 53 ladies bicycles valued at Rs.726,895 and 120 sets of school equipment valued at Rs.726,895 had been contentious.

### 3.18 Human Resources Management

#### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	22	19	03
(ii) Tertiary Level	05	01	04
(iii) Secondary Level	126	90	36
(iv) Primary Level	56	54	02
<b>Total</b>	<b>209</b>	<b>164</b>	<b>45</b>

#### **4. Head 290 - Department of Fisheries and Aquatic Resources**

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##### **4.1 Appropriation Account**

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###### **Budgetary Variance**

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Excess provisions had been made for one Object and as such the savings after utilization of the net provision had been Rs.1,951,163 or 91.69 per cent of provisions.

##### **4.2 Revenue Accounts**

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The function of preparing the revenue estimates of a Revenue Code, collection of revenue, accounting for and presentation of accounts had been entrusted to the Director General as the Revenue Accounting Officer. The following observations were made during the course of an audit test check of the Revenue Code.

- (a) Even though according to the Budget Estimate of the year 2014 the Estimated Revenue amounted to Rs.12,000,000, the Estimated Revenue had been stated as Rs.7,369,000 in the Revenue Account furnished to audit.
- (b) Proper procedures relating to estimating revenue, collection, supervision and documentation had not been introduced and implemented.

##### **4.3 General Deposit Account**

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Even though a list of all unclaimed deposits which have lapsed should be prepared in the end of every half- year in terms of Financial Regulation 571, action had not been taken accordingly.

##### **4.4 Reconciliation Statement on the Advances to Public Officers Account**

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The following deficiencies were observed in the audit test check of the Reconciliation Statement of the Advances to Public Officers Account, Item No.13901 as at 31 December 2014.

- (a) According to the Reconciliation Statement presented to audit, the outstanding loan balances amounting to Rs.1,067,982 had been existing over years ranging from 01 year to 15 years, the Department had failed to recover those outstanding loan balances.
- (b) Even though Section 1.6 of Chapter XXIV of the Establishments Code and the National Budget Circular No.118 of 11 October 2004 precludes showing unsettled loan balances of transferred officers 03 months after the date of transfer, the loan balance of Rs.150,700 of an officer had not been settled even by 30 December 2014.
- (c) Even though 2 loan balances totalling Rs.47,069 recoverable from two retired officers had remained over 18 years and 11 years, the Department had failed to settle those balances even by the end of the year under review.



- (d) Loan balances totalling Rs.366,502 of which sureties had deceased or without sureties relating to the vacated had been existing over periods ranging from 02 years to 22 years had not been recovered even by the end of the year under review.
- (e) The Department had failed to recover any loan balance out of the loan balances totalling Rs.654,410 recoverable from 06 interdicted officers even by the end of the year under review. The courts action relating to the loan balances recoverable from those officers had not been finalised even by 31 August 2015.

#### **4.5 Internal Audit**

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Even though a Chief Internal Auditor had been appointed and established an Internal Audit Unit in the Department, a sufficient internal audit had not been conducted.

#### **4.6 Assets Management**

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The following deficiencies were observed during the course of an audit test check of the assets of the Department.

##### **(a) Assets given to External Parties**

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Three motor cars had been released irregularly since over 03 years to the Ministry of Fisheries and Aquatic Resources.

##### **(b) Irregular Utilization of Assets belonging to other Institutions**

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Two motor cars belonging to the Technical Training Institute and 02 motor cars belonging to the Ministry of Fisheries and Aquatic Resources Development had been utilized by the Department without proper approval.

##### **(c) Non- maintenance of the Register of Vehicles regularly**

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A Register including the relevant values in respect of the vehicles totalling Rs.76,585,343 stated under Non- current Assets in the Appropriation Account had not been furnished to audit.

#### **4.7 Unsettled Liabilities**

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The total of the Unsettled Liabilities by the Department as at 31 December 2014 amounted to Rs.574,534,643 and the following observations are made in this regard.

- (a) A Register of Liabilities had not been prepared in terms of Financial Regulation 214.
- (b) Even though provisions of the year of accounts should not exceed expenditure and the amount of liabilities of an Object in terms of Financial Regulation 94(1), liabilities amounting to Rs.1,318,503 had been committed exceeding savings after utilization out of the provisions of the year under review for 2 Objects.

#### **4.8 Non- compliance with Laws, Rules and Regulations**

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Even though the life jackets valued at Rs.49,994,320 purchased to distribute to the fishermen had been supplied directly to District Fisheries Offices by the supplier, payments had been made without ensuring that those jackets were in compliance with the required specifications in terms of the Guidelines 8.12.1 and 8.12.3 of the Government Procurement Guidelines.

#### **4.9 Weaknesses in Implementation of Projects**

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The following deficiencies were revealed in the audit test checks conducted on the projects implemented by the Department in the year under review.

##### **(a) The project for the Supply of Fishing Nets as an Alternative Subsidy Scheme to the Fuel Subsidy**

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Bids had been invited and contracts had been awarded to supply fishing nets and life jackets valued at Rs.112,500 per boat as an Alternative Subsidy Scheme to the Fuel Subsidy to 14,811 boats out of 23,000 fishing boats which are beneficiaries of the fuel subsidy. The following observations are made in this regard.

- (i) Bids had been presented by a State Company for the supply of fishing nets. The Technical Evaluation Committee had not excluded that company from evaluations in evaluating bids due to not presenting Bid Security by that company in terms of the Guideline 7.8.4 of the Government Procurement Guidelines.
- (ii) The relevant procurement activities relating to 6 procurements over Rs.50 million under the Project for the supply of Fishing Nets had been conducted by a Procurement Committee of the Department instead of the Procurement Committee of the Ministry contrary to the Guideline 2.14.1 of the Procurement Guidelines.
- (iii) Fishing nets valued at Rs.1,156.12 million had been purchased from a State Company for the Project for the Supply of Fishing Nets of which, the total cost amounted to Rs.1,190 million. Action had not been taken to obtain Performance Security in terms of the Guideline 5.4.10 of the Government Procurement Guidelines and to obtain an Advance Payment Guarantee in terms of the Guideline 5.4.4(i) of the Government Procurement Guidelines for the payment of the advance of Rs.223.91 not been paid in that connection.
- (iv) Even though the supply of all fishing nets relating to the Project for the Supply of Fishing Nets should have been completed by 19 November 2014, The State Company had failed to supply fishing nets of value totalling Rs.554,248,095 relating to 27 orders, even by 31 December 2014, the date of audit. Further, there were delays ranging from 42 days to 116 days in the supply of fishing nets by the contractor.

- (v) Even though action should be taken to enter into a contract agreement in awarding contracts in terms of the Guideline 8.9 of the Government Procurement Guidelines, the Department had entered into Memorandums of Understanding irregularly with the contractors. The Department had not obtained legal cover relating to the losses incurred either due to delay or failure to supply as it had been agreed to complete the remaining parts as soon as possible if the contractor failed to complete the contract in terms of the above agreement.
- (vi) Instead of completing the work awarded by utilizing the advance of Rs.223.91 million paid to the State Company, advances amounting to Rs.42,682,320 had been retained over periods ranging from 90 days to 132 days and settled erroneously through vouchers of unsettled orders. Herein, attention had not been paid to Financial Regulations 137 and 138 in approving payments and certification of payments.
- (vii) Out of 09 contracts valued at Rs.37,939,520 awarded to a private company for the supply of fishing nets, the supply of nets valued at Rs.9,970,400 to two districts by 31 December 2014 had been completely defaulted by the Company and the supply of nets valued at Rs.27,969,120 to the balance of 07 Districts had been delayed. The Department had not taken any action whatsoever in this connection.
- (viii) Six thousand one hundred and eighty four sets of fishing nets out of 8,126 sets of fishing nets that should have been supplied to 08 District Offices had been supplied by the suppliers and 2,702 sets of fishing nets had been retained in the District Offices without distributing to the beneficiaries even by March 2015.
- (ix) Action had not been taken to identify the requirement of the fishing nets of each district before commencing of the Procurement.
- (x) There were variances between the orders and the supplies due to the non- receipt of the copies of those orders by the District Offices when orders for fishing nets are made and the failure to examine whether the nets supplied confirmed to the orders placed.
- (xi) There were instances of fishermen refusing to obtain the fishing nets due to supplying fishing nets not complying with the requirements of the fishermen. Even though payments should not be made for the supply of fishing nets not confirming to the orders placed, payments had been made for those.

**(b) Divinaguma Fisheries Post- harvest Technology Project Loan Scheme**

Provisions amounting to Rs.26.75 million had been given by the Ministry of Economic Development in the year 2012 to commence this project to provide a loan of Rs.10,000 each to 2,675 beneficiaries of 15 Districts who obtained technical training. The following observations are made in connection with the return of a sum of Rs.10 million due to the progress of issuing loans remaining in a low level after one year.

- (i) The Loan Project had been implemented as a Revolving Fund and loans amounting to Rs.21,090,000 had been granted to 2,109 beneficiaries by 15 October 2015 and it had been 79 per cent of the expected target.
- (ii) The repayment of loans amounting to Rs.3,386,417 that is, 16 per cent had been either defaulted or delayed and the participation of the officers in the regional level of the Department of Fisheries and Aquatic Resources for the recovery of loan installments remained at a very weak level.
- (iii) A direct confirmation of balance of the deposit amounting to Rs.16.75 million made on 17 September 2012 in the Bank of Ceylon to implement this loan scheme had not been furnished to audit.

**(c) Construction of Kilinochchi District Fisheries Office**

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 The following matters were observed in connection of the award of the contract to the Institution which presented the lowest quotation of a sum of Rs.14,346,910 by inviting bids by the District Secretariat, Kilinochchi for the expenditure estimate amounting to Rs.22,172,055 excluding the value added tax for the construction of the Fisheries Office of the Kilinochchi District.

- (i) In this connection attention had not been paid to the quantity of the work which would result from the selected quotation which was Rs.7,825,145 or 35 per cent less than the Departmental estimate.
- (ii) Even though the agreed price had been a sum of Rs.16,068,539 including the value added tax to construct the building by the above contractor, a sum of Rs.20,000,000 had been released for that purpose to the District Secretary Kilinochchi.
- (iii) This building which should have been completed and handed over on 29 October 2014 had not been completed and handed over even by the date of audit in May 2015.

**4.10 Performance**

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 The observations on the progress of the Department according to the Action Plan and the Performance Reports for the year 2014 are given below.

**(a) Key Functions not executed Adequately**

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 Several instances in which Department had not executed the key functions of the Department adequately are given below..

- (i) Even though it had been targeted to enrol 750 fishermen to the New Fishermen's Pension Scheme according to the Action Plan, any fishermen whomsoever had not been enrolled during the year.

- (ii) Even though it had been targeted to register 7,250 fresh water fishing boats, any fishing boats whatsoever had not been registered in the year.
- (iii) According to the Departmental Performance Report, the physical performance of achieving the expected targets of 09 programmes included in the Action Plan ranged from 10 per cent to 70 per cent.

#### **4.11 Transactions of Contentious Nature**

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Certain transactions executed by the Department were of contentious nature. Several such transactions revealed in the audit test checks are given below.

##### **(a) Issuance of Licenses for Exporting Sea Snails and Clams**

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The following observations are made in this regard.

- (i) The powers of issuing licenses for catching sea snails and clams, collecting, storing, transporting and exporting had been devolved on the Director General of the Department of Fisheries and Aquatic Resources. The Ceylon Fisheries Corporation had entered into agreements with private institutions for the execution of the functions from catching sea snails and clams to exporting since October 2011. No legal action whatsoever had been taken even by 10 November 2014 by the Director General of the Department in respect of the above function executed by the Ceylon Fisheries Corporation without any legal right.
- (ii) Licenses had been issued to exporters of fish to export sea snails, for a sum of Rs.10 per 01 Kilogram by the Department of Fisheries and Aquatic Resources and agreements had been entered into with those exporting companies even by the Ceylon Fisheries Corporation. A sum of Rs.500,000 each had been charged per company for every 03 months of the contract period. Action had been taken by the Corporation even to charge a sum of Rs.100 per 01 Kilogram of clams and sea snails exported stating that it is being done on a decision of the Ministry. Even though the Ministry had made laws and rules for the management of the fisheries resources at a subsidized fee system, the income collected by the Corporation by entering into such agreements during the period from October 2011 to 24 December 2014 amounted to Rs.31,428,956 whilst the refundable deposits of the exporters amounted to Rs.14,000,000 .
- (iii) Even though the above matter had been pointed out in the Report of the Auditor General for the year 2013, the Ceylon Fisheries Corporation had been allowed to charge money from fish exporters in an illegal and an unfair manner for a further period over 15 months the failure of the Department to take action even by November 2014.

#### 4.12 Fruitless Expenditure

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The following observations are made.

##### **The publication of Data Journals for Multiday Fishing Vessels**

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The contract for printing of 5,000 copies of the Data Journals for recording of the data on fishing resources harvested from the Indian Ocean as registered by the Indian Ocean Tuna Commission, had been awarded to the lower bidder out of the two institutions from which quotations were invited, for a sum of Rs.2,796,423 .

- (i) Action in this case had not been taken to obtain a Performance Guarantee in terms of the Guideline 5.4.8 of the Government Procurement Guidelines and to enter into an agreement with the contractor.
- (ii) Even though the supplier had been informed at the award of the contract that 5,000 Fishermen Data Journals should be printed and handed over before 02 November 2014, the supply had been completed on 02 April 2015, after a delay of 100 days.
- (iii) Even though this function had been initiated with the objective of collecting data on the fish production in the year 2015, the expected results of the project could not be achieved due to not taking action to collect data from the beginning of the year 2015 by issuing the Data Journals before the beginning of the year 2015.

#### 4.13 Human Resources Management

##### **Approved Cadre and the Actual Cadre**

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The position of the cadre as at 31 December 2014 had been as follows.

<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>	<b>Excess</b>
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(i) Senior Level	48	26	22	-
(ii) Tertiary Level	22	12	10	-
(iii) Secondary Level	881	474	407	-
(iv) Primary Level	107	82	25	-
(v) Others (Casual/Temporary/ Contract basis)	-	3	-	3
<b>Total</b>	<b>1058</b>	<b>597</b>	<b>464</b>	<b>3</b>
	=====	=====	=====	=====