

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Ministry of Fisheries and Aquatic Resources Development for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. The summary report including my comments and observations on the financial statements of the Ministry of Fisheries and Aquatic Resources Development was issued to the Accounting Officer on 31 May 2019 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018, and the Detailed Annual Management Audit Report relating to the Ministry in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 31 May 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ministry of Fisheries and Aquatic Resources Development as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with generally accepted Accounting Standards.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Chief Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as management determine is necessary to enable the preparation of

financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

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

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5 Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with Section 6 (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) Since there was no need to prepare financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.
- (b) Since there was no requirement for the Ministry of Fisheries and Aquatic Resources Development to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

The following observation is made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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According to the printouts of the Treasury, the total expenditure amounted to Rs. 4,986,375,473 for the year under review, but the total expenditure had been shown as Rs. 4,982,792,266 in the statement of financial performance. As such, foreign loans had been understated by Rs. 3,583,207 in the financial statements.	According to State Accounts Circular, No. 267/2018, dated 21 November 2018, the expenses of the Ministry should be reconciled with the balance of expenses in the statement of final accounts of the Treasury.	According to financial statements of the Treasury as at 2019.01.30, the total expenditure amounted to Rs. 4,982,792,266, but as per the last financial statement as at 05 February 2019, the actual expenditure amounted to Rs. 4,986,375,473. As such, the balance shown in the financial statements is correct in accordance with the financial statement of the Treasury.

1.6.2 Deposits

 The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
(a) A list of individual balances had not been presented in respect of the balance amounting to Rs. 173.81 million existed as at 31 December 2018 in the retention money deposit account for contracts. According to the age analysis, the total of the balances relating to periods of 2-5 years, amounted to Rs. 78.6 million. Action had not been taken even up to 31 December 2018 in terms of Financial Regulation 571 to identify and settle deposits older than 2 years.	Receipts, payments , and the balances of the year should be clearly recorded in the register of general deposits. The List of individual balances should be presented with respect to the deposit balance as at the end of the year, and action should be taken in terms of Financial Regulation 571as to the settlement of deposits.	Due to reasons such as, non-presentation of bills for the release of retention monies of the projects, and warranty period of projects had not expired, the total of the balances relating to periods of 2-5 years amounting to Rs. 78.6 million could not be released. Furthermore, the individual balances relating to the Ministry , had been shown in the deposits register of the Ministry whilst the individual balances relating to sub-offices had been included in the general deposits file of the Ministry.
(b) The balance of the sub imprest of the Ministry amounted to Rs. 45,246,534 as at 31 December 2018 comprising sums of Rs. 8,000,000 and Rs. 1,679,428 given to the Ministry of Fisheries in the years 2010 and 2014 respectively.	Action should be taken to promptly settle the imprest balances.	It has been informed that the said advances could not be settled due to unfavorable financial situation of the Ministry , and action will be taken to settle those advances as soon as possible with profits earned in the ensuing years.

1.6.3 Failure to Maintain Books and Registers

 The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
(a) The Register of Losses had not been updated at the Transport Division. Furthermore, no other register on damages had been maintained.	A Register of Losses should be maintained in accordance with the Format under provisions of the Financial Regulation 110.	It is agreed with the matters declared in the audit observation. Action will be taken to maintain a Register of Losses and Damages for the Ministry in due course.
(b) A Register of Electrical Fittings had not been maintained.	A Register of Electrical Fittings should be maintained in terms of Financial Regulation 454 (2) for all the electrical fittings and equipment of the buildings belonging to the Government.	It is informed that action will be taken to do so.
(c) The Register of Fixed Assets being maintained by the Ministry on computers, accessories, and software, had not been updated.	A Register of Fixed Assets on computers, accessories, and software should be maintained in terms of Treasury Circular, No. IAI/2002/02, dated 28 November 2002.	It is informed that action will be taken for updating.

1.6.4 Non-compliances with Laws, Rules, and Regulations

The following observations are made.

Reference to Laws, Rules, and Regulations	Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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Establishments Code of the Democratic Socialist Republic of Sri Lanka.	--	--	--

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(i) Section 1.6 of Chapter XXIV.	Loan balances should be settled within a period of 02 months after an officer is transferred in, and when an officer is transferred out, the loan balances should be settled within a period of 03 months. However, action had not been taken to settle the balances totaling Rs. 295,772 receivable from 15 officers who had been transferred out during 1987 - 1994.	Action should be taken in accordance with Section 1.6 of Chapter XXIV of the Establishments Code, and Section 1.1.7 of the Budget Circular, No. 118, dated 11 October 2004.	As no description whatsoever could be found in regard to those loan balances, action was taken to write off such balances in terms of Public Finance Circular, No. 369, dated 18 October 1999.
(ii) Sections 4.2.4 and 4.2.5 of Chapter XXIV.	When an officer is due to retire, the Head of Department should furnish to the Director of	Action should be taken to recover the loan balances from the retirees in terms of provisions of Sections 4.2.4 and	It was nearly impossible to obtain information relating to loan balances of the officers retired.

Pension details of all loans outstanding from him. Such outstanding balances on loans should be recovered in full from the commuted pensions or gratuity of the officer. However, due failure in doing so, loan balances totaling Rs. 127,580 had remained unrecovered from 34 officers who had retired during the period of 1985 - 1991.

4.2.5 of Chapter XXIV. Some of the loan balances have been recovered whilst taking action to write off the other loan balances in terms of Public Finance Circular, No. 369, dated 18 October 1999.

1.6.5 Irregular Transactions

(a) Transactions without authority.

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(i) Of the sum allocated for the project to empower the fishing community through the annual estimates, a sum of Rs. 4 million had been granted to the Fisheries Corporation. Without any authority provided by any special law, the	In terms of Financial Regulation 200 (2), expenses should be incurred through annual estimates and subject to any other specific law or Regulation.	Not replied.

Corporation had utilized that sum to settle the expenses of the year 2017 including sums spent on painting and repairing the electrical system of the fish market complex in Trincomalee being Rs. 3.7 million and 235,221 respectively.

- (ii) The Ministry of Finance and Mass Media had informed that financial provision would not be granted to the Ministry for renovating freshwater reservoirs in the wet zone, and the provision obtained in cooperation with the Ministry of Agriculture should be utilized in that connection. However, of the sum amounting to Rs. 1000 million allocated for the project to clean 10 lagoons, a sum of Rs. 20 million had been granted to the Department of Agrarian Development in order to renovate 99 reservoirs in the areas of Gampaha, Kegalle, Kalutara, and Matara. Funds should not be utilized on the works for which approval had not been granted by the Ministry of Finance and Media. Not replied.

(b) Transactions not approved.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
A KKS , on his request, had been transferred to the Department of Fisheries and Aquatic Resources by the Additional Secretary (Administration) of the Ministry without approval of the Director General of Combined Services of the Public Administration.	Officers should be transferred by obtaining approval of the Director General of Combined Services upon transfer orders of the Ministry of Public Administration.	The matters mentioned in the audit observation are accepted. Action is being taken to obtain approval of the Director General of Combined Services in this regard.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(a) Having newly created 08 Objects not included in the estimate, funds amounting to Rs. 1,714.45 million had been allocated thereon through supplementary provision. However, the total supplementary provision of Rs. 183 million relating to 3 Objects had been saved	Action should be taken to minimize the unfavorable effect on the national budget.	Issues such as, non-receipt of imprests from the Treasury, and non presentation of bills for payment, have been presented as being the reasons for savings. Reasons have been given for the savings in supplementary provision allocated on Objects created newly.

in full. Provision ranging from 71 per cent to 90 per cent of the sum amounting to Rs. 1,159,092,254 allocated through the supplementary estimate for 04 Objects, had not been utilized.

- (b) The provision granted in the year 2018 under the introduction of new technology had been utilized to settle the sum of Rs. 1,488,816 spent in excess of the advance amounting to Rs. 2,066,250 granted to NARA by the Ministry in the year 2017 for breeding ornamental fish. The provision should be utilized on the planned activities. Not replied.
- (c) Contrary to regulations, payments had been made for expenses of the years 2017 and 2019 to settle a sum totaling Rs. 930,142 incurred with respect to the preceding year and the ensuing year out of the advance of Rs. 4.09 million granted to NARA by the Ministry in the year 2018 for the project to cultivate ornamental aquatic plants. When settling advances as per provisions set out in Financial Regulation 371 (6), expenses made prior to obtaining advances should not be settled, nor should the expenses of the ensuing year be settled. Not replied.
- (d) Of the provision totaling Rs. 4,920.5 million granted Annual estimates on expenditure should be prepared satisfying the Not replied.

through the estimate of requirements of the year 2018 for 22 Financial Regulation 50. projects relating to the development of fishing industry, a sum of Rs. 2578.7 million, had been saved representing 52 per cent.

2.2 Incurring Liabilities and Commitments

The following observation is made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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Although provision had not been saved in the year under review, liabilities valued at Rs. 646.20 million had been incurred with respect to 10 Objects in excess of savings of provision.	The amount of liabilities and expenses in excess of the savings in Objects, should not exceed the provision of the financial year in terms of Financial Regulation 94 (1), and action should be taken to incur expenses within the limits allocated for each Object.	----- ---- Despite the lack of provision, 10 Objects are being maintained for the sake of essential expenses incurred by the Ministry daily.

3. Operating Review

3.1 Planning

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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<p>(a) Foreign funds amounting to Rs. 300 million and local funds amounting to Rs. 43.4 million had been provisioned through the annual estimate for distribution of 7,000 bicycles, 1,000 life saving jackets, 1,000 sewing machines, and 60,000 agriculture equipment under the project implemented in Hambanthota to assist the development of fishery sector. As at 31 December 2018, foreign and local funds amounting to Rs. 81.40 million and Rs. 43.32 million had respectively been spent. The following observations are made in this connection.</p>	<p>The activities of the project should be identified and included in the Action Plan of the year 2018.</p>	<p>It is agreed with the audit observation whilst informing that such issues will be prevented from happening. It is also accepted that there had been deficiencies in the</p>

- follow up process.
- (ii) The Ministry had not taken follow up action to ensure that bicycles, life saving jackets, sewing machines, and agriculture equipment had been distributed among the fishermen. It is necessary to be able to ascertain the activities by mainlining the essential registers and documents. It is accepted that the Ministry is responsible therefor. That responsibility had been entrusted to the Ceylon Fishery Harbours Corporation , the institution implementing the project. It is accepted that the follow up action was not sufficient.
- (iii) The High Commission of India in Sri Lanka stated that a sum of Rs. 138 million had been spent as at 31 December 2018 as accumulated direct expenses. However, that value amounted to Rs. 81.40 million as per the financial statements thus observing a difference of Rs. 56.60 million. Registers of expenses should be prepared in the manner of being possible to be compared with the financial statements. A sum of Rs. 138 million had been spent on the project as accumulated direct expenses. As the accumulated value incurred on the import of 7,000 bicycles, 1,000 sewing machines, and 60,000 mamoties , amounted to Rs. 138 million, the aforesaid value had been shown in the financial statements as Rs. 81.4 million.
- (b) Foreign funds amounting to Rs. 117 million and local funds amounting to Rs. 15 million had been provisioned through the annual estimate to distribute 150 fiber glass boats, and 150 external engines among the fishermen in Mulativu district under the project to provide boats and engines. By 31 December 2018, sums of Rs. 64.06 million and Rs. 7.06 million had been spent from foreign funds and local funds respectively. The

following observations are made in this connection.

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| (i) | The activities of the project had not been identified and included in the Action Plan of the year 2018. | The activities of the project should be identified and included in the Action Plan of the year 2018. | It is agreed with the audit observation whilst informing that such issues will be prevented from happening. |
| (ii) | The District Secretary , Mulativu had been entrusted to execute the distribution process and maintain a register to record information relating to the boats and engines distributed to the fishermen. However, no follow up action had been taken by the Ministry to ensure that those items had been distributed to the relevant beneficiaries. | It is necessary to be able to ascertain the activities by mainlining the essential registers and documents. | It is accepted that deficiencies existed with the follow up action. |
| (iii) | The High Commission of India in Sri Lanka stated that a sum of Rs. 75.2 million had been spent as at 31 December 2018 as accumulated direct expenses. However, that value amounted to Rs. 64.06 million as per the financial statements thus observing a difference of Rs. 11.14 million. | It is necessary to be able to ascertain the activities by mainlining the essential registers and documents. | The High Commission of India had considered the amount mentioned in purchase orders in calculating the expenses. Hence, that calculation is not correct. It is stated that the sum of Rs. 64.06 million declared in the audit query is correct. |
| (c) | The provision made for the programme relating to the | Action should be taken to achieve project objectives through | Based on the problems identified, projects are prioritized according to |

development of holistic villages totaled Rs. 300 million. The Action Plan had been prepared without paying attention on a primary objective of the project - to improve the income of the fishermen. But, priority had been given to 80 per cent of the activities relating to projects on the development of common infrastructure facilities.

activities executed in accordance with priorities based on annual budget of the relevant year.

requests and requirements of the people. As such, all the projects implemented were the ones prioritized as per preference of the fishermen.

- (d) Although provision amounting to Rs. 12.5 million had been made for 2 projects to introduce new technology, the activities to be executed by utilizing those provision had not been included in the Action Plan of the year 2018.

The Action Plan should be prepared after a proper evaluation. The provision should be utilized on the activities planned.

Not replied.

3.2 Failure to Discharge Functions

 The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
(a) Project for cleaning 10 lagoons. -----		----
(i) Provision totaling Rs. 1000 million had been made in the year 2018 to remove silt and deepen 10 lagoons. As for the utilization of those provision, it was stated that priority would be given to the lagoons in Puttalam, Nayaru, Arugambay, and Rekawa. However, no lagoon had been developed. Of those provision, an amount of Rs. 171.06 million had been spent as at 31 December 2018 on NARA, The National Aquatic Resources Research and Development Agency, and District Secretariats, in regard to infrastructure development activities under other subprojects.	Priority should be given to the activities for which approval had been given by the Cabinet.	It is an objective of this project to develop essential infrastructure facilities in areas close to the lagoons. Livelihood programs, as well as other development projects stated in the Action Plan, do assist the development of lagoons and the production improvement project either directly or indirectly.
(ii) A sum of Rs. 110 million had been	Funds should not be utilized on activities not	It is an objective of this project to improve the

allocated on the resettlement activities at the villages in the vicinity of lagoons in view of conserving aquatic environment through the improvement of infrastructure under the project for cleaning the lagoons. However, the main activity of cleaning the lagoon and the other activities approved, had not been carried out. Nevertheless, a sum of Rs. 119 million had been spent on the infrastructure not close to lagoons that had not been approved such as, construction of sun shades, and improvement of roads.

approved by the essential infrastructure in the vicinity of lagoons. The livelihood programme, as well as other development projects mentioned in the Action Plan do directly or indirectly contribute to the programme for the development of lagoons and increasing productivity.

- (iii) A number of 4831 land marking stones purchased at the value of Rs. 7.7 million for demarcating the boundaries of the lagoon, had remained dumped near the lagoon over a period of 6 months. The physical inspection revealed the existence of substandard land marking stones in the stock.
- Purchases should be made based on the achievement of a the expected output.
- Not replied.

3.3 Failure to Reply the Audit Queries

The following observation is made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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All the audit queries should be replied within a specified period as required by the Auditor General . However, 1, 2, and 3 audit queries relating to a value of Rs. 13.51 million issued in the years 2016, 2017, and 2019 respectively, had not been replied within the specified period.	The provisions set out in Section 38 of the National Audit Act, No. 19 of 2018 should be adhered to.	The relevant officers have been informed at the meeting of the Audit and Management Committee that replies should be made available within periods specified.

3.4 Management Inefficiencies

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) A lease rent had not been levied on the budget shop being maintained at the premises of the Ministry since the year 2008. The sum of Rs. 626,314 paid by the Ministry on 28730 units of electricity consumed up to 07 January 2019, the date of audit, had not been recovered as well.	Public funds and properties should not be misappropriated.	It is informed that action is being taken to recover the expense from the relevant person in regard to all the units of electricity consumed during the relevant period.
(b) Although the Ministry	Methodologies	of Not replied.

of Fisheries and Aquatic Resources did not have a division for labour affairs, the Cab bearing No. KD 7689 was assigned to a division under that name. An Assistant Secretary not entitled to an official vehicle used that vehicle, and the said officer had taken the vehicle to the Ministry of Agriculture. Even up to August 2019, the Cab had not been returned to the Ministry.

systems and controls should be in place to prevent vehicles from being misused.

3.5 Foreign Funded Projects

The following observation is made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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<p>An agreement for a donation of Rs. 149,400,000 (8,300,000 Crones) had been entered into between the Government of Sri Lanka and the Ministry of Foreign Affairs of Norway in March 2017 in respect of the project to formulate a long term national policy for the sector of fisheries and aquaculture in Sri Lanka. According to the information received by the Audit, a sum of Rs. 111,572,707 had been spent in the years 2017 and 2018 without being disclosed in</p>	<p>All the expenses relating to the project should be included in the financial statements of the Ministry, and the financial statements should be presented to the Auditor General for auditing in terms of the Agreement.</p>	<p>----- ---- Action is taken to include those expenses into the financial statements of the relevant years and present them promptly to the Auditor General in due course.</p>

the financial statements of the Ministry of Fisheries and Aquatic Resources Development for the years 2017 and 2018. Furthermore, according to Conditions, 10.1 and 10.3 of the Agreement, the financial statements of the said project should have been audited by the Auditor General of Sri Lanka. However, those financial statements, after being prepared, had not been presented to the Auditor General even up to 31 July 2019.

3.6 Procurements

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) Contract for construction of a hall at the fisheries harbor in Chilaw to auction fish.		
(i) In terms of Guideline 1.5 of the Procurement Guidelines as amended by the Supplement, No. 13, dated 03 October 2007, the contract worth Rs. 51.08 million for	Action should be taken in terms of Guidelines of the Procurement Guidelines.	This contract had been awarded on 16 December 2016. According to the Public Contract Act, No. 3 of 1987 that had remained effective up to that date, it was not essential for the main contractor be registered. Nevertheless, as per the Amendment, dated

constructing a hall to auction fish had been awarded to a construction company that had not been registered under the Registrar of Companies.

16 October 2018, all the contractors should be registered at present, but such provisions are not relevant to this contract. As such, registration of the main contractor had not been requested.

- (ii) This contract had been awarded to be completed within a period of 180 days. Although a sum of Rs. 48 million had been paid by June 2019, works had not been completed and the contract had not been handed over despite a lapse of 279 days as at that date.
- The contract should be completed within the specified duration in terms of the contract agreement.
- Not replied.
- (iii) Items of work such as, fixing aluminium doors and windows, and laying tiles, had been executed without compliance to the specifications of bid documents. Without being verified through the bill or the test reports that the specification of aluminium doors and windows was 60 or 80 microns, payments totaling Rs. 3.25 million were paid. Furthermore, contrary to specifications, tiles made in India had been laid instead of the ones made in Sri Lanka, and a sum of
- Payments should be made after ensuring compliance with the specifications shown in bid documents.
- As for the powder coated aluminium bars, the thickness of coating should be 60 – 80 microns, which is the average specification, and hence, a specific certificate on standard is not necessary in this connection. Furthermore, without using the brand of tile mentioned in the BOQ, tiles of a different brand were used. A new price approved therefor, was paid, and the prices shown in the BOQ were not used.

Rs. 3.89 million was paid based on a price which was higher than the one mentioned in the BOQ.

(b) Contract for construction of the fisheries harbor in Wellamankara, Wennappuwa.

- (i) When awarding the contract valued at Rs. 1,862 million for the construction of harbor, the contract that should have been awarded to a contractor of the category CS1 in terms of Guideline 5.3.5 of the Procurement Guidelines, No. 6 of 2006, had been awarded to a contractor of the category C1 thus making an overpayment of Rs. 770.39 million.
- The bid should be awarded to a contractor of the category specified in the Guideline. Agreed. The observation that the value of engineering estimate was Rs. 2506 million, and the relevant construction company belonged to the category CS1, is both a miscalculation and misinterpretation of provisions of the Procurement Guidelines.
- (ii) Even though bids had been furnished by a bidder registered under the Registrar of Companies in terms of Guideline 1.5 of the Procurement Guidelines as amended by the Supplement, No. 13 dated 03 October 2007, the construction contract valued at Rs. 1,862 million had been
- The Procurement Guidelines should be followed. It is not necessary for the main contractor be registered in terms of Public Contract Act, No. 3 of 1987. However, as per the Amendment, dated 16 October 2018, all the contractors should be registered at present, but such provisions are not relevant to this contract. As such, registration of the main contractor had not been requested.

awarded to an unregistered construction company in order to be completed within a period of 912 days.

- (iii) A decrease in prices lower than the engineering estimate ranging from 5 per cent to 28 per cent was observed in the contract awarded without compliance to the Guideline 7.9.2 (m) of the Procurement Guidelines. However, that was not taken into account when evaluating the procurement entity.
- In case the bidding prices are lower than the engineering estimate, the procurement entity should pay their attention thereon in terms of the Procurement Guidelines.
- The value of the engineering estimate of the item which is shown as a 28 decrease in your audit query, amounts to Rs. 3.36 million. The contractor had submitted bids to the value of Rs. 2.428 million therefor. The Technical Evaluation Committee did not identify this as being crucial.
- (iv) The comparison of bills relating to payments made on the construction of two breakwaters at the port revealed that the materials used to construct the first 125 meter extent of the main breakwater had been more than that of the materials used to construct the same length of northern breakwater. As such, an overpayment of Rs. 55.77 million had been paid for a volume of 11526.3 cubic meters of materials.
- Action should be taken to maintain contract costs equal unless required otherwise by specific reasons.
- The quantity of materials used in the construction of breakwater is decided on the factors such as the depth of sea at the location of construction, and the width of the breakwater. At the length of 125 meters of the northern breakwater, the width is 45 meters whereas the width of the main breakwater is 53 meters at the length of 300 meters. However, the Measure and Pay methodology is followed in making payments. As such, payments are made only for the actual values.
- (c) Improvement of facilities at the boat yard in Kareinagar.

- (i) Instead of using interlock paving stones of the strength, 20 N/mm² for the boat yard as per the specification, the substandard paving stones of the strength in the range of 9.73 – 18 N/mm² had been used, and a payment of Rs. 14.76 million had been made. Interlock paving stones should be supplied and laid in accordance with the specification mentioned in the BOQ. Not replied.
- (ii) As for the preparation of ground before applying interlock paving stones at the boat yard, a sum of Rs. 8.89 million had been paid for 1,054.61 cubic meters of ABC mix that had not been mentioned in the BOQ whilst a sum of Rs. 961,103 had also been paid for a volume of 113.99 cubic meters of unsupplied ABC mix without approval. The specification mentioned in the BOQ should be adhered to. Not replied.
- (iii) The project for improving facilities of the boat yard had been completed on 22 March 2019 under 3 packages at a value of Rs. 238.8 million, and handed over to the Ministry. However, the boat yard had not been made use of even by 30 June 2019. Once a certificate for completion of works is presented, the yard should be made use of ensuring productivity. Not replied.

3.7 Losses and Damages

The following observation is made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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<p>The motor vehicle assigned to an Additional Secretary of the Ministry of Fisheries and Aquatic Resources, had been driven under the influence of alcohol and without a valid driving license , thus causing an accident on 05 June 2018 incurring a loss of Rs. 997,824 to the Ministry. Suspended imprisonment had been sentenced in that connection with fines amounting to Rs. 10,500, and the officer had repaired the vehicle by spending a sum of Rs. 423,000 before being handed over to the Ministry. However, contrary to Financial Regulation 140 (2) and 1642, a copy of the report relating to the said loss had not been sent to the Department of Public Finance , nor had the Police been informed as soon as the accident had taken place.</p>	<p>Irrespective of the designation, disciplinary action should be taken against the relevant officers in terms of the Establishments Code in regard to misconduct while on duty. The Head of the Institution should be informed on the accidents caused to the vehicle.</p>	<p>Not replied.</p>

4. Achievement of Sustainable Development Goals

The following observation is made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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<p>Based on the economic growth, social development and environmental protection of all the countries belonging to the Organization by the year 2030, the United Nations had introduced the Sustainable Development Agenda. A methodology had not been identified by the Ministry in regard to expected objectives, targets, and indicators as well as obtaining accurate data, and management of physical resources.</p>	<p>The Sustainable Development Agenda should be adhered to.</p>	<p>Not replied.</p>