

Head 291 – Report of the Auditor General on Department of Coast Conservation – Year 2016

The audit of the Appropriation Account and the Reconciliation statements including the financial records, books, registers and other records of the Head 291 - Department of Coast Conservation for the year ended 31 December 2016 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 Report for the year under review was issued to the Director General of the Department on 31 July 2017. The audit observations, comments and findings on the accounts and the reconciliation statements were based on the 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.

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation 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 the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and 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

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.2,046.64 million and out of that Rs.1,330.12 million had been utilized by the end of the year under review. Accordingly, the savings out of total net provisions of the Department amounted to Rs.716.52 million or 35 per cent. Details appear below.

| Expenditure | As at 31 December 2016 | | | Savings as a Percentage of Net Provision |
|--------------|------------------------|-----------------|---------------|--|
| | Net Provision | Utilization | Savings | |
| | Rs. Millions | Rs. Millions | Rs. Millions | |
| Recurrent | 219.14 | 207.61 | 11.53 | 5.26 |
| Capital | 1,827.50 | 1,122.51 | 704.99 | 38.58 |
| Total | 2,046.64 | 1,330.12 | 716.52 | 35.01 |

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the advances to Public Officers Account of the Department under Item No.29101 and the actual amounts are given below.

| 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 |
| 9.00 | 8.98 | 7.00 | 10.02 | 39.00 | 33.38 |

2.3 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0091/0016/000 of the Department as at 31 December 2016 amounted to Rs.8.13 million.

2.4 General Deposit Account

The balances of the 04 deposit accounts under the Department as at 31 December 2016 totalled Rs.37.57 million. Details appear below.

| Deposit Account Number | Balance as at 31 December 2016 |
|----------------------------|--------------------------------|
| | Rs. Millions |
| 6000/0000/00/0001/0024/000 | 14.63 |
| 6000/0000/00/0016/0057/000 | 13.53 |
| 6000/0000/00/0002/0110/000 | 6.38 |
| 6000/0000/00/0013/0092/000 | 3.03 |
| Total | 37.57 |

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements of the Department of Coast Conservation for the year ended 31 December 2016 had been satisfactorily prepared subject to the audit observations, appearing in the Management Audit Report referred in paragraph 1.1 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non - maintenance of Registers and Books

It was observed during the audit test checks, the following registers had not been maintained and while certain other registers had not been maintained properly and in an updated manner by the Department.

| Type of Register | Relevant Regulation | Observations |
|--|---|---------------------|
| ----- | ----- | ----- |
| (a) Register of Fixed Assets | Treasury Circular No.842 of 19 December 1978 | Not updated. |
| (b) Register of Fixed Assets on Computer, Accessories and Software | Treasury Circular No. IAI/ 2002/ 02 of 28 November 2002 | Not updated. |
| (c) Register of Counterfoil Books | Financial Regulation 341 | Not updated |
| (d) Register of Cheque and Money Orders received | Financial Regulation 451 | Not updated |
| (e) Register of Inventory | Financial Regulations 454(1) | Not updated |
| (f) Register of Electrical Equipment | Financial Regulations 454(2) | Not updated |
| (g) Register of Securities | Financial Regulation 891(1) | Not updated |
| (h) Vehicles Listing Register | Financial Regulation 1647 | Not updated |
| (i) Official Telephone Register | Financial Regulation 845(1) | Not Maintained |

3.2 Appropriation Account

Budgetary Variance

Following observations are made.

- (a) Excess provisions had been made for 16 Objects and as such the savings after the utilization of provisions ranged between 11 per cent to 99 per cent of the net provisions relating to the respective Objects.
- (b) Out of the estimated provision for Other Capital Investment object, the savings amounted Rs.661.68 million and it was observed that over provisions had been made since Rs.346.52 million had been shown as liabilities.

- (c) In terms of section 2 of the National Budget Circular No.7/2015 of 29 December 2015, though a compulsory to saving of 15 per cent have to be made from the provision for the object of fuel in the budget estimate of 2016; only 11.41 per cent had been saved out of the estimated provision. Further in terms of Financial Regulation 66, provision of Rs.0.6 million had been transferred from object of Domestic Travelling Expenses.

3.3 General Deposit Account

Actions had not been taken in accordance with Financial Regulation 571, regarding 04 deposits with a sum of Rs.0.5 million and 02 years exceeded.

3.4 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the audit test checks in respect of the Reconciliation Statement of the Advances to Public Officers Account Item No.29101 as at 31 December 2016.

- (a) According to the Reconciliation Statement made to the audit, the sum of outstanding balance to that date had been Rs.0.69 million and although those outstanding balances remained since a period ranging from 04 months to 19 years, the follow up action on the recovery of them had been at a weak level.
- (b) Loan balances of 04 officers who vacated the service between a period of 02 to 12 years had been Rs.0.3 million and regarding these loan balances, actions had not been taken to recover in accordance with 4.5 paragraph of chapter XXIV of the Establishments Code.

3.5 Assets Management

The following deficiencies were observed during the course of audit test checks conducted on the assets of the Department.

(a) Idle and Underutilized Assets

02 Official vehicles had been assigned to the Director General of the Department and hence one vehicle often had been underutilized. Accordingly one vehicle had not been engaged in running for 343 days from May 2015 to December 2016.

(b) Conduct of Annual Board of Survey

- (i) Annual Board of Survey to be conducted in accordance with Public Finance Circular No.05/2016 of 31 March 2016 had not been completed within the specified time for the year 2016.
- (ii) Values of the assets purchased and disposed during the year had not been adjusted accurately to the opening balances of the asset at the beginning of the year and hence final balances had not been accurate.

(c) **Asset given to External Parties**

05 vehicles registered under the Department name had been improperly assigned to the Project and 02 drivers of the Department also had been assigned to the Project. Rs.1.65 million had been paid to these 02 drivers as the salary for the period of year 2014 to year 2016 from the Department.

(d) **Unsettled Liabilities**

Liabilities of Rs. 0.1 million relevant to 03 recurrent objects and to a capital object, had not been revealed in the Appropriation Account.

3.6 Non -Compliances

Non- compliance with Laws, Rules and Regulations

Instances of non- compliance with the provisions of Laws, Rules and Regulations observed during the audit test checks are analyzed below.

| Reference to Laws, Rules and Regulations | Value | Non- compliance |
|---|---------------------|---|
| ----- | ----- | ----- |
| | Rs. Millions | |
| (a) Statuary Provisions | | |
| ----- Coastal Conservation Act No.57 of 1981 and Coastal Conservation (Amendments) Act No.49 of 2011 | | |
| (i) Section 9 (2) | --- | Beach Zone and Beach Resources Management Plan should have been prepared based on the results of the survey conducted by the Director General about all the resources and activities in the beach zone. As well, though that plan should have been rectified once in 05 years, the above plan which had been prepared in 1997 had been implemented at present without rectifications. |
| (ii) Section 31 | 2.95 | Though all funds collected from penalties should be credited to a fund called Coastal Protection Rewards Fund and its accounts should have been furnished annually to the Auditor General, accounts had not been furnished to audit. Actions had not been |

done according to the act even by the end of the year under review and the balance of the current account holding in the name of this fund was Rs. 2.95 million as at 31 December 2016.

(b) Establishment Code of the Democratic Socialist Republic of Sri Lanka

Section 9.8 of Chapter VIII

0.03

Contrary to the orders of the section, 1/20 allowance had been paid to a non-executive position of Coast Guards of the Department.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 371(2) and Public Finance Circular No.03/2015 of 14 July 2015

0.6

- Even though sub imprest for any activity should be given to a maximum of Rs.25,000 under the direct observation of an executive officer, ad hoc sub- imprest had been issued in 13 times contrary to such orders.

0.88

- In terms of the circular, even though the maximum granted advance at one time is Rs. 100,000 advance had been given contrary to that.

0.56

- Though the advance should be given in a day close to a specific activity and it should be settled as soon as that activity had been completed, any money or more than 50 per cent of the money received for the activity had been retained in the hand for a period of more than one month without spending.

| | | | |
|------------|---|-------|--|
| (ii) | Financial Regulation 371 (2) (c) | 1.1 | <ul style="list-style-type: none"> • Though given advances should be settled as soon as the relevant activity was completed, Rs. 1.1 million of advance money obtained for various activities had been settled later with a demurrage of 01 month to 05 months. |
| (iii) | Financial Regulation 447 | ----- | <ul style="list-style-type: none"> • Vote ledger had not been maintained indicating the amount of provision for the year, expenditure and the provision remained. |
| (iv) | Financial Regulation 1646 | ----- | <ul style="list-style-type: none"> • Daily running charts had not been furnished to the Auditor General. |
| (d) | Public Administration Circular ----- | | |
| (i) | Circular No.26/92 of 19 August 1992 | ----- | Government emblem had not been used on the vehicles of the department. |
| (ii) | Paragraph 1.3.1 of the Circular No.22/99 of 08 October 1999 | ----- | Though Group Transport facilities can be provided for the government officers who hold the deputy level positions, official vehicles had been assigned to 02 deputy directors of the department to whom group transport facility can be provided. |

3.7 Performance

The observations on the progress of the Department according to the Annual Budget Estimate and Annual Action Plan for the year 2016 are given below.

(a) Key functions not carried out adequately

The completion progress of the 11 projects of Rs.225.5 million and planned in the year under review had been 10 per cent to 75 per cent and the expenditure had been Rs. 120.34 million.

(b) Non –implementation of Projects

Though Rs. 39 million had been provisioned from the annual estimate in the year under review for 06 projects, relevant projects had not been commenced as planned.

(c) **Giving up of Projects**

03 Projects of Rs. 90 million that had been planned to commence in the year 2015, had been given up without implementing in the year under review.

(d) It is observed from the statistics presented by the department that the progress of the removal of unauthorized construction is at very weak level. Details appear below.

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Total |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| No. of identified unauthorized constructions | 388 | 146 | 338 | 127 | 285 | 308 | 1592 |
| No. of demolition orders issued | 388 | 146 | 338 | 127 | 285 | 308 | 1592 |
| No. of demolishes | 83 | 34 | 0 | 8 | 13 | 13 | 151 |
| Progress of the demolishes as a percentage | 21.39 | 23.29 | 0 | 6.3 | 4.56 | 4.22 | 9.48 |
| No. of demolishes as per court orders | 0 | 9 | 5 | 7 | 6 | - | 27 |
| Expenditure incurred (Rs.Million) | 3.05 | 3.04 | 5.99 | 0.03 | 0.09 | 0.05 | 12.25 |

Though 1592 demolition orders had been issued for the 06 years from year 2011 to 2016, 151 constructions had been demolished and hence the progress was 9.48 per cent.

3.8 Irregular Transactions

Certain transactions entered into by the department were informal. Certain such instances observed are as follows.

Deviation from the Government Procurement Guidelines

Following observations are made on the procurement made by the Department.

- (i) In terms of guidelines 5.2.1(a) and 5.3.14(a) of the Procurement Guideline, bids should be called including all details in the bidding documents. When calling bids for the projects of the department, different conditions had been included in the bidding documents.
- (ii) In terms of the guideline 5.4.8(a) of the Procurement Guideline, though amount of not less than 5 per cent should be retained as the Performance Bond, Rs. 0.1 million less had been obtained beyond the relevant performance bond when obtaining materials for the Egoda Uyana Breakwater. Performance bonds had not been obtained for the contract of the Project of Kappaladiya.

- (iii) Though bids should have been rejected in the cases where there is no competition, guideline 7.12.1, 7.12.2 and 7.12.13 of the Procurement Guideline had not been followed in calling bids for the Project of Kappaladiya.
- (iv) Contractors who do not fulfill the contract as per the agreement had not been black listed according to the guideline 8.11.5 of the Procurement Guideline.
- (v) According to the performance report of the year 2016, though the physical progress of the Thalavila North Groynaya and the Egoda Uyana Breakwater had been recorded as 100 per cent in the progress reports, work completion reports had not been prepared in terms of 8.12.2 guideline of the Procurement Guideline.

3.9 Losses and Damages

Observations on the losses and damages revealed during the audit test checks are given below.

- (a) Brought forward balance of the not written off losses and damages in the form DGSA 7(1) of the Appropriation account -2016 was Rs.0.01 million and actions had not been done in terms of 109 and 113 of the Financial Regulations.
- (b) Though demurrage charges that should be charged on non-completion as per the the contracts and the agreements regarding the Coast Conservation of the Department had been Rs. 2.59 million, it had not been recovered.

3.10 Unsolved Audit Paragraphs

Reference to the audit paragraphs included in the report of the Auditor General relating to the Department and the deficiencies pointed out, and not rectified are given below.

| Reference to Report of Auditor General | | Subject under reference |
|---|------------------|---|
| Year | Paragraph Number | |
| ----- | ----- | |
| (a) 2013 | 8.10(b) | Not taking of proper action with regard to the loss of Rs.4.09 million incurred due to the failure in following a proper procedure in vesting assets to the Department. |
| (b) 2013 | 8.12(a)(ii) | Not taking of proper action with regard to the loss of Rs.25.78 million incurred due to the demolition and removal of a section of the work as it had been constructed in a manner of not fulfilling the objective of the Kapungoda Breakwater. |
| (c) 2014 | 9.12(b) | Granting of permission should be done after issuing a demolition and removal order and even though the full building should be removed according to the reissued Demolished and Removed Order, only 02 floors of the building consisting of 04 floors had been removed. |

- (d) 2014 9.14 (b) Due to the awarding of the contract to the second lowest quotation by ignoring the company which got highest mark according to the Technical Evaluation Report, the Department had incurred a loss of Rs. 89.83 million
- (e) 2014 9.14 (c) Not recovering of demurrage charges of Rs. 11.49 million which should be charged on not completing work within the agreed period with regard to the contracts entered into for the construction of Breakwater constructions and Sand Feeding Projects.
- (f) 2015 3.5(a) Not recovering of Rs. 12.23 million spent for the demolition and removal during the period of 2011 to 2015 from the relevant parties as per the Coast Conservation Act No.49 of 2011.
- (g) 2015 3.7(a) A loss of Rs.20.1 million had been occurred to the Department due to the payment made on the contractor's request on excess of 14,070 m³ sand pumped, rather paying on the work certified as per the agreement entered on 04 December 2014 between the Department and the contractor for the Unawatuna Sand Nourishment Project.
- (h) 2015 3.7(b) A total of Rs.71.49 million losses had been occurred to the Department on the construction of the removed part of the breakwater, on the removing of that part again and on the undercharging of the demurrage charges due to a feasibility study had not been done in constructing of the Unawatuna Breakwater.

3.11 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2016 had been as follows.

| Category of Employees | Approved Cadre | Actual Cadre | Number of Vacancies |
|-----------------------|----------------|--------------|---------------------|
| (i) Senior Level | 41 | 29 | 12 |
| (ii) Tertiary Level | 04 | 01 | 03 |
| (iii) Secondary Level | 321 | 247 | 74 |
| (iv) Primary Level | 174 | 108 | 66 |
| Total | 540 | 385 | 155 |

Numbers of vacancies for the last year and in the year under review were 217 and 155 respectively and actions had not been taken to fill these vacancies.