

Head 325 - Report of the Auditor General on the Department of Coast Conservation of Sri Lanka - Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Department of Coast Conservation of Sri Lanka. The financial and physical performance reflected by those accounts and reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer and Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament 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, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of the Department of Coast Conservation of Sri Lanka - Head 325 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Director General on 20 September 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the Department of Coast Conservation of Sri Lanka for the year ended 31 December 2017 revealed in audit, appear in the Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the said audit observations, appear in paragraph 2.1 to 2.7 of this report. It was observed that the accountability as the Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Accounting Officer in terms of Financial Regulation 128 (1)	Non-compliance with the Provision by the Accounting Officer	Reference to the Paragraph of the report which included the Observation
--	--	--

Financial Regulations

128(1)(a)	That the work of his department is planned and carried out with due dispatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorised and that an endeavour is made to complete the programme of work laid down for the year and/or to attain the targets specified ;	<ol style="list-style-type: none">1. Deficiencies in implementing the procurement process 2.2.12. Non-utilization of provisions and overprovisions made 2.53. Underutilization of provisions made by other departments 2.6
128(1)(e)	That adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time; and, where they are disposed of, such disposal is according to prescribed Regulations and instructions;	<ol style="list-style-type: none">1. Idle and underutilized assets 2.3.12. Irregular use of assets owned by other institutions 2.3.2

128(1)(i)	That the activities of his department are undertaken with due regard to economy, efficiency, propriety and integrity expected in the transaction of public business	1. Abandonment of projects without completion 2. Irregular transactions	2.1.1 2.4 (a), (b), (c)
-----------	---	--	--------------------------------

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Non-performance of Functions

Abandonment of Projects without Completion

Even though the following projects had been commenced by the Department of Coast Conservation of Sri Lanka for the performance of key functions, those projects had been abandoned without completion.

Project	Estimated Cost	Date of Commencement	Expenditure by 31 December 2017	Reasons for Abandonment
	Rs.Millions		Rs.Millions	
(a) Construction of the Advanced Training Centre building- Mirissa	53.1	01.01.2017	30.09	Instructions had been given by the letter No.MOD/DEF/13/27/AD of 09 October 2017 of the Secretary to the Ministry to hold constructions.
(b) Construction of the hostel building for apprentice sailors	34.6	01.01.2017	4.1	- do -

2.2 Obtaining Supplies and Services by implementing the Procurement Process

Implementation of the Procurement Process

The following observations are made.

Even though two Rigid Hull Inflatable Boats valued at Rs.1,014,291 and Rs.1,431,668 had been supplied with a delay of 11 to 15 weeks by the supplier, action had not been taken to recover the liquidated damages therefor amounting to Rs.154,812 in terms of agreements.

2.3 Assets Management

2.3.1 Idle and Underutilized Assets

(a) The sea vessel No.CG 410 valued at Rs.32.99 million had remained idle from October 2016 to 31 December 2017. However, action had not been taken even by 20 May 2018 to make necessary arrangements to repair and make use of it. Moreover, it was observed that the internal parts and other parts of the vessel could be damaged due to keeping it parked without sailing for a long period and that adequate attention had not been paid to the non-achievement of the performance of the Department.

(b) The vessel No.CG 406 had been repaired by incurring an expenditure of Rs.2.10 million in the year under review. However, it was observed according to the information made available to Audit that it had sailed for a limited period of 47 hours. Accordingly, it was observed that this vessel had not been utilized effectively.

2.3.2 Irregular use of Assets belonging to other Institutions

(a) The Department was irregularly using a land of 0.1517 hectares in extent belonging to the Ceylon Fishery Harbours Corporation from 27 June 2011 and it was being irregularly used even by 08 March 2018.

(b) A sum of Rs.30.80 million had been spent for development of lands and buildings on a land of 1.1285 hectares belonging to the Department of Education and two portions of land of 0.1517 hectares belonging to the Dickowita Fishery Harbour.

2.4 Irregular Transactions

Certain transactions entered into by the Department had been devoid of regularity. Several such instances observed are given below.

(a) Additional provisions of Rs.17 million had been obtained by stating that it is necessary for the purchase of machinery and machinery equipment and vessels of different types for the efficient performance of duties entrusted to the Department of Coast Conservation of Sri Lanka. However, it was observed that those provisions had been utilized for the

purchase of other Items outside the list of machinery and machinery equipment, submitted for obtaining approval.

- (b) Payments should be approved only after preparation of quality test reports once goods are received and if those reports are satisfactory. However, the Department had made payments to the suppliers before preparation of quality test reports relating to 07 purchases valued at Rs.8.06 million.
- (c) Seven cheques valued at a total of Rs.11,484,403 had been issued on the last day of the year under review not complied with the provisions of Financial Regulations 137, 138 and 139 without completing the relevant purpose or service.

2.5 Utilization of Provisions made available by Parliament for the Performance of Functions

Details on provisions made for the Department during a period of 05 years ended 31 December 2017, utilization and savings thereon appear below.

Year	Type of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provisions
		Rs.Millions	Rs,Millions	Rs,Millions	
2013	Recurrent	31.41	24.34	7.07	22.51
	Capital	62.39	43.82	18.57	29.77
	Total	93.80	68.16	25.64	27.34
2014	Recurrent	32.66	28.41	4.25	13.01
	Capital	32.00	31.12	0.88	2.75
	Total	64.66	59.53	5.13	7.94
2015	Recurrent	32.27	30.62	1.65	5.11
	Capital	104.65	58.76	45.90	43.86
	Total	136.92	89.38	47.54	34.72
2016	Recurrent	39.27	37.82	1.45	3.70
	Capital	37.77	32.49	5.28	13.97
	Total	77.04	70.31	6.73	8.74
2017	Recurrent	40.21	35.82	4.39	10.93
	Capital	289.40	196.08	93.32	32.25
	Total	329.61	231.90	97.71	29.64

The following observations are made in the year under review.

- (a) The entire net provision amounting to Rs.2,700,000 made for the Objects of the year under review had been saved.

- (b) Excess provision had been made for 08 Objects and as such the savings, after the utilization of provisions, ranged between 27 per cent to 87 per cent of the net provisions relating to the respective Objects.

2.6 Utilization of Provisions made by other Departments

Provisions of Rs.5 million had been made by the Sri Lanka Navy for purchase of uniforms. Out of that, only a sum of Rs.0.97 million had been utilized even by the end of the year under review and out of the provisions made, a sum of Rs.4.03 million or 80.7 per cent had been saved.

2.7 Human Resources Management

A separate cadre had not been approved for the Department by the Department of Management Services. Ninety officers and 1,213 sailors of the Sri Lanka Navy had been attached on secondary basis for performing the functions of the Department.