

## **Head 291 Department of Coast Conservation and Coastal Resource Management**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Department of Coast Conservation and Coast Resource Management for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Department of Coast Conservation and Coast Resource Management was issued to the Accounting Officer on 22 June 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 07 May 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 Department of Coast Conservation and Coastal Resource Management as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibilities of the Accounting Officer for the Financial Statements**

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The Accounting Officer are 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 the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department 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**

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

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

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## 1.5. Report on Other Legal Requirements

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I express the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

## 1.6 Comments on Financial Statements

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### 1.6.1 Non-compliance with Generally Accepted Accounting Principles

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<u>Audit Observation</u>	<u>Comments of the Accounting Officer</u>	<u>Recommendation</u>
In the value of the books owned by the library maintained in the department had not been accounted as non-financial assets. The value of the books purchased in 2019 and 2020 was Rs.295,544 and Rs.99,913 respectively.	Books for the library were purchased by using recurrent expenditure provisions. Also the value of a book does not exceed Rs. 5,000. According to the asset management circular no. 04/2018, it should be accounted as non-financial asset only if the value limit exceed Rs.5,000. Accordingly, I would like to inform you that, the balance of financial asset is correct.	The value of the books are Rs. 395,457, should be accounted as non-financial assets.

### 1.6.2. Statement of financial performance

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#### Recurrent Expenditure

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<u>Audit Observation</u>	<u>Comments of the Accounting Officer</u>	<u>Recommendation</u>
In categorizing of recurrent expenses of financial performance statement, although the expense of salaries wages and other employee benefits should be Rs.231,804,829, it had been shown as Rs.246,042,575 and although the expense on the other goods and services should be Rs.49,360,725, it had been shown as Rs.35,122,979.i.e. Rs.14,237,746 of local and foreign travel expenses that	Due to the inclusion of domestic and foreign travels under the salaries and motivation, other employee benefits Rs.246,642,575 for the financial performance statement and Rs.35,122,979 for other goods and services were mentioned correctly.	Domestic and foreign travel expenses should not be taken as wages and other benefits but as other goods and service expenses.

should be considered as travel expenses had been shown as salaries and wages and other employee benefits.

**1.6.3. Cash flow statement**  
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**Non Revenue Receipts**  
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<u><b>Audit Observation</b></u>	<u><b>Comments of the Accounting Officer</b></u>	<u><b>Recommendation</b></u>
Rs. 36,089,155 other receipts had been indicated as impress receipts in the cash flow statement.	According to the guideline No 06 paragraph 10.1 of public finance circular No.02/2020, and FR 150 151-7 (II), non revenue receipts are listed as impress receipts.	This should be stated in the cash flow statements as other receipts.

**1.6.4 Non- maintaining of Registers**  
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According to the FR 214, the register of liabilities had not been maintained properly and updated by the department.

**2. Financial Review**  
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**2.1 Incurring of Liabilities and Commitments**  
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<u><b>Audit Observation</b></u>	<u><b>Comments of the Accounting Officer</b></u>	<u><b>Recommendation</b></u>
Liabilities that were in Rs.3,204,121 as at 31 December 2020, had not been revealed from the financial statement and by reason of inadequate remains in the year under review to settle the said liabilities, it was observed that provisions for Objects 291-1-1-0-1301-11, 291-1-1-0-1409-11, 291-1-1-0-2003-11 had been exceeded.	It is informed that there was no opportunity to transfer the remains provision savings to inadequate expenditure subjects by the FR 66 due to the non submission of bills on time due to the epidemic situation prevailing in the country since march 2020.	Action should be taken to not to exceed the provisions.

## 2.2 Issuance and Settlement of Advances

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<u>Audit Observation</u>	<u>Comments of Accounting Officer</u>	<u>Recommendation</u>
In terms of FR.371 ad hoc sub impress obtained, should be settled soon after completion of work, advances that was in Rs.654,050, the total, given to 10 officers had been settled with a time delay from 01 month to 11 months.	Advances received at the beginning of the financial year and settled at the end of the year. Awareness workshops, field inspections and site inspections are carried out by technical officer and field officer under the supervision of the staff officer because the advance money issued only to staff officers. I would like to inform you that delays may occur due to delay in settle the advance because these officers are working in the divisional offices and divisional secretariats.	Action should be taken in accordance with FR 371.

## 2.3 Comparison Statement on Advance Accounts to Public Officers

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The following observations are made

<u>Audit Observation</u>	<u>Comments of Accounting Officer</u>	<u>Recommendation</u>
(a) Among the unsettled balance, there were a loan balance Rs.53,466 of a deceased officer over 5 years and total Rs.373,772 of five officers who vacated from the service. (over five years)	Agreed to pay for the due loan balance of Rs 86,993.00 in instalments. To write off the balance of Rs 25,066.67 when has to charge from two officers to recover current arrears of Rs 265,712.00 from the loan balance which has to charge from two officers and I will act in accordance with FR 113(6) to remove this balance from the books expeditiously in the future.	Necessary actions should be taken immediately.

(b)

In terms of the section 03(a) of public finance circular No. 05/2019 and dated 27 June 2019, although care should be taken not to show the unsettled loan balances between departments after three months of transfer of an officer, Rs 138,500, the total of the loan balance of a transferred female officer had not been settled.

A request has been made again to the railway department to settle the matter by April 2021 summary of accounts.

Action should be taken to settle according to the circular.

### 3. **Operating Review**

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#### 3.1 **Non- performance of Functions**

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##### **Audit Observation**

Mining and removing of accumulated sand regularly around harbors, had been assigned to the Ceylon Fishery Harbor Corporation by the department and Rs.250 is charged for one sand cube and 1/3 of mining sand should be dumped in proper place of the beach. This job had been assigned to another private organizations by the corporation and according to a sample testing, although 2750 of sand cubes had been mined in fisheries harbor of Peraliya, only 818 of sand cubes had been dumped to the beach and having mined 550 of sand cubes in harbor of Panadura only 177 of sand cubes had been dumped in the beach. Further, sand that was mined but not transported had been piled in heaps in the beach. Making and managing of more effective methodology for removing of sand so accumulated regularly in fishery harbours and dumping them to the locations where erosion took place, had not been made by the department.

##### **Comments of the Accounting Officer**

By a special project of the ministry of fisheries and aquatic resources is working to prevent sand filling in fishing harbors.

##### **Recommendation**

Supervision should be done by the Coastal Resource Management Department.

### 3.2 Non-achievement of expected Output Level

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The following observations are made.

<u>Audit Observation</u>	<u>Comments of the Accounting Officer</u>	<u>Recommendation</u>
<p>Expected objectives from south Colombo sand nourishment project implemented from 29 of February to 21 of April by having spent Rs.889, had not been achieved and the following facts are the reasons for that</p> <p>(a) In pursuance of the regulation in the National Environment Act No 01 of 1993, although the approval should be obtained from a sub agency nominated by the Central Environment Authority for projects done by project approving agencies, such an evaluation report or approval, relating to the impact on the environment relevant to the sand nourishment of the project has not been obtained.</p> <p>(b) Although it should be done by a qualified institution outside the institution in which the project is implemented, instead of that officers of the department had done it. In terms of the guidelines of the process of evaluation of environment impact issued by the subcommittee of the Central Environment Authority, environment impact had not been estimated.</p> <p>(c) The future benefits of the project and the time frame in which the said benefits are reaped, maintenance and future developments had not been included in the feasibility report. The feasibility report had not been signed by having confirmed that it was prepared by the people who are in proper technical expertise and skill.</p>	<p>Comparison of sea bed survey (agronomic survey) have been made before and after the Colombo south sand nutrition project.</p> <p>The desired beach is currently being created. There was no damage or restrictions to the natural swimming pool.</p> <p>The west coast is a relatively straight coast, also coastal sand flows from south to north.</p> <p>Because sand fed areas belong to the west coast, So the fed sand flow is a natural process. The sand transportation, deposition occurs naturally to the eroded areas caused by the shortage of sand in recent years by the sand fed.</p>	<p>There is no written evidence that as in depth survey was conducted.</p> <p>Necessary approvals and proper feasibility studies had not been conducted.</p> <p>Therefore, the desired objectives had not been achieved.</p>

- (d) In terms of Financial Regulations 35(1), although a prior approval should be obtained for initiation of a project, conditions of the eroded area of the coastal stretch where sand re-nourishment is expected, how it has been eroded, the extent, project coverage and project cost etc. had not been evaluated and a prior approval had not been obtained.
- (e) Action had not been taken to get done a bathymetric survey or to obtain instructions and services required from the Institute of National Aquatic Resources Research and Development, internationally recognized and professional national survey institute in expert level established for conducting of special bathymetric research and providing of instruction services for such projects done in Sri Lanka.
- (f) Although a report should be obtained from the Environment Protection Authority regarding of identifying the possible damages to the environment and aquatic organisms and prevention of them for a project done in unique economic zone in Sri Lanka, it had not been done in that manner.
- (g) Although, by having done exploration activities by a recognized institution regarding of sand, required for coastal sand nourishment process and having submitted the said report, an exploration license should be obtained from the Geological Survey and Mines Bureau sand had been obtained for this project without having valid exploration license and valid mining license.
- (h) 800,000 cubic meters of sand mortar had been planned for the purpose of stabilization of the coastal stretch from Kollupitiya to Mount Lavinia as an additional buffer of 10 kilometers. Then without giving any logical and



acceptable reasons it had been altered for sand nourishment from Mount Lavinia to Angulana. Further, estimates for the amounts of sand that should be nourished for the said areas have not been prepared. In addition to this, as for the remedies for coastal erosion caused by cutting of the natural sand dune nearby the KelidowaKaluGan estuary for the flood control in 2017, establishment of the area so eroded has been included to this project. Accordingly, decreasing the coverage area of the sand nourishment project from Mount Laviniya to Angulana, having included an amount of sand to the Kalidowa beach too, 800,000 cubic meters of sand were divided and separated. According to this, it was observed that the actual requirements and quantities of sand nourishment areas had not been accurately identified and the estimates have not been prepared logically.

- (i) The sand nourishment requirement for Mount Laviniya, Angulana, KalutharaKelido, identified in the project details was estimated as 150,000, 300,000 and 350,000 cubic meters and it had been altered as 175,000, 425,000 and 200,000 cubic meters of the direct contract bidding cost estimate. The cost for sand pumping for a sand cubic meter had been mentioned as Rs.610 for Mount Laviniya and Angulana, Rs.560 for Kelido in Kaluthara respectively. Accordingly, if the cost estimate was Rs. 590,000,000, since the quotations received by inviting bids are in high value, it was observed that the cost estimates are illogical.

However, the lowest price submitted for the direct tender calling was Rs.844,364,684 and it had been submitted by a foreign private company.

Then quotations had been called in open market and although the lowest price was the bid of Rs. 889,208,700 submitted by the same institute, the procurement committee has decided to accept it. Accordingly, a loss amounting to 44.84 million had been made by the department.

- (j) Although the methodology that should be used as per the specifications for the process of sand nourishment in Mount Laviniya and

Kaluthara is pumping & speeding, sand engine methodology for Mount Laviniya and Direct placement for Kaluthara had been used.

- (k) Regarding of the pre and post condition of the initiation of Colombo South sand nourishment project, the accuracy of the amount of sand pumped to coastal stretch had not been examined quantitatively based on Bathymetric research computer data. After implementation of the sand project above, the current situation is as follows.

- Destroying of natural swimming pool near the Mount Lavinia hotel
- Due to steep slopes in areas where sand had been filled, boat capsizing and interruptions for beach seine fishery activities.
- Washing away of large amounts of sand into the sea from sand nourished places .
- Being piled huge piles of sand in other coastal stretches and having re-eroded the beach in such places, returning of them to pre-existed condition

### 3.3 Delays in the Execution of Projects

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<u>Audit Observation</u>	<u>Comments of the Accounting Officer</u>	<u>Recommendation</u>
<p>From 2012 to 28 February 2021, 2162 unauthorized constructions had been identified and though orders have been issued for 1967 to demolish only 450 had been demolished. Further, there were 195 constructions which orders were not given, although they had been identified as unauthorized constructions. In terms of a physical audit inspection since all the constructions made at the coastal stretch from Mount Laviniya to Wellawaththa have been made in a state owned land area, they have been observed as unauthorized constructions. In pursuance of the provisions of the Coast conservation and coastal resource management act No 11 of 2011, if the department has powers to demolish the said constructions, unauthorized constructions are increased in a considerable amount annually and by reason of social, economic and political impact regarding of the unauthorized constructions made in the past, it was observed that department has no possibility to engage in these activities practically</p>	<p>It is informed that an explanation in this regard and detailed report on the present progress will be submitted shortly</p>	<p>Should identify the instances where the department is not possible to be practice and for that an alternative method that can be implemented should be setup.</p>

### 3.4 Assets Management

The following observations are made.

<u>Audit Observation</u>	<u>Comments of the Accounting Officer</u>	<u>Recommendation</u>
<p>(a) Although the value of non- financial assets as at 31 December 2019 in the statement of non-financial assets was Rs. 471,658,540, when the opening balance is shown as at 01 January 2020, it had been shown as Rs. 507,570,789 by having included the transactions made during the year and the other adjustments.</p>	<p>The values of the Moratuwa, Galle, Negombo and Godawaya offices which had been accounted as single value as land and buildings had to be accounted separately as land and buildings of the instructions given by the circular SA/GFS/01/01/08 for the year 2020. At that time value of</p>	<p>It is not correct to include changes made during the year in the opening balance.</p>

Rs.176,275,000 had to be deducted from the value of the land and building and re-entered through the opening balance.

2020.02.05 Rs.57,753,000

2020.05.28 Rs,2,800,000

2020.07.08 Rs.14,528,000

Values are entered by the opening balances. Accordingly I would like to inform you that opening balance had been changed.

(b) The value of lands of divisional offices of Trincomalee, Batticaloa, Chilaw, Jafna and Ampara which belong to department that was in the total of 0.4651 hectares and 165 perches and the value of buildings in 14060 square feet, had not been evaluated and accounted.

The valuation department has been informed on 22.05.2020 to take action to carry out the assessment from the Trincomalee and Maduganga environment center and a reminder has been sent on 23.03.2021

The value of these buildings should be assessed and accounted.

c) No action had been taken regarding of transfers of lands of environment centers of Matara, Godawaya, environment centers of Moratuwa, Chilaw, Maduganga, divisional offices of Jaffna and Ampara owned by the department.

Institutions have been requested to hand over these buildings by letter and reminders on dated 12.03.2018, 08.09.2018 and 27.11.2020.

Action should be taken to obtain assignment report expeditiously.

(d) The value of 23 vehicles owned by the department and used in divisional offices had not been accounted even in the year under review.

All vehicle belonging to the department had been sent for the assessment and the vehicles GF-8749, LN-4672, GJ-3942, PE-2166 have been already assessed and sent.

All vehicles must be valued and those values must be accounted

**4. Good Governance**  
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**4.1 Internal Audit**  
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<u><b>Audit Observation</b></u>	<u><b>Comments of the Accounting Officer</b></u>	<u><b>Recommendation</b></u>
Although an effective internal control system could be prepared through the implementation of significant points and suggestions which attention should be paid and mentioned in the reports submitted through the inspections regarding of issue of licenses, inspection of divisional offices etc. by the internal audit unit in the year under review, it was observed that less consideration had been paid regarding of that.	It is informed that the officers have been instructed to take steps to monitor a more efficient and effective system.	Attention should be paid to the implementation of internal audit proposals.

**5. Human Resource Management**  
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<u><b>Audit Observation</b></u>	<u><b>Comments of the Accounting Officer</b></u>	<u><b>Recommendation</b></u>
Although approved cadre of the department as at 31 December 2020 was 542 and the actual cadre was 416, 126 posts had been remained vacant and post of them 14 posts in senior level 60 posts in junior level and 52 posts in low level had been remained vacant. Owing to these vacancies, action had not been taken to fill the said vacancies by having identified the posts applicable to fulfill the main task of the department.	It is informed that the vacancies in the department have been identified and necessary steps are already taken to fill those vacancies.	Action should be taken to fill the vacancies.