

Head 291 - Department of Coast Conservation and Coastal Resource Management

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Coast Conservation and Coastal Resource Management for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 to be read in conjunction with provisions of the National Audit Act No.19 of 2018. In terms of section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Department of Coast Conservation and Coastal Resource Management was issued to the Accounting Officer on 09 June 2022. The Annual Detailed Management Audit Report relating to the Department was issued to the Accounting Officer on 23 June 2022 in terms of Section 11(2) of the Audit Act. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of 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 2021, 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

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 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

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 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

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 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 judgment 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 Ministry's / Department's / District Secretariat'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

I express the following matters in accordance with Section 6 (1) (d) 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 relating to the financial statements of the preceding year, had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Property, Plant and Equipment

The following deficiencies were observed in accounting for Property, Plant and Equipment.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Even though the property, plant and equipment balance as at 31 December 2020 was Rs. 548,611,863 as per the financial statements presented for the year under review, the balance of property, plant and equipment as at 01 January 2021 was Rs. 550,334,614 according to the treasury printouts. Therefore, a difference of Rs.1,722,751 was shown in that balance, and the reason for the difference was not disclosed in the financial statements by a note.	An additional provision of Rs.1,722,752 was spent under the vote number 2104 to settle a bill for repairs of Negombo office for the year 2021, and the said expenditure has been added to the initial balance of the buildings mentioned in the Treasury printout.	The reason for the difference between the final balance of the previous year and the initial balances of the year under review should be disclosed in the financial statements by a note.
(ii) Rs. 7,800,000 rupees, which was the assesment value of 02 vehicles in running condition, was not brought to accounts even by 31 December 2021.	Measures will be taken to bring the new assesment value of these 02 vehicles for the year 2022 to accounts.	The assesment value of vehicles in running condition should be brought to account.

(b) Imrest Reconciliation Account

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(i) Even though the income collected by the reporting agency for the other revenue heads that should be stated in the imprest reconciliation statement was Rs.104,663,433, it was stated as Rs.88,761,535.	Since it had been advised the amount collected for other revenue heads should not be recorded in the financial performance statement, that amount is shown in the Imprest Account under the Revenue Collected from Other Revenue Heads.	The accurate amount should be incorporated in the imprest reconciliation statement.
(ii) The expenditure of Rs. 507,265 incurred by the reporting agency on behalf of other heads was not stated in the imprest reconciliation statement.	(i) Provision of Rs. 275,000 allocated under the objects of 151-2-3-(65)-2506, (71) , (73) and (74) is a license fee revenue received through cross entries from object of the Ministry of Fisheries. (ii) 253-1-2 -4-1502 - The amount of Rs. 590,932 is a part of the cross entries related to the advance "B" account collected from the pension of the pensioners. (iii) 130 - 1 - 2 -0- 1003 - Rs.358,666, Allowances paid to graduate trainees recruited in the year 2021 by the offices to where they were attached for training during the training period, allowances recovered in payment of salaries after confirmation in the service were debited to the object 291-1-1-0-1003 and credited to the object 130-1-2-0-1003. That expenditure is included in the financial performance statement under the object 291-1-1-0-1003. Similarly, the same amount is given under the payments in the imprest reconciliation statement by the cross entries.	Measures should be taken in terms of the section 7.10 of Public Accounts Guidelines No. 2021/03.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) Rs. 2,150,000 out of the budgeted provision of Rs. 3,800,000 for the object No. 1401 (Transportation) was left and Rs. 2,000,000 out of it ,i.e. 52.6 percent of the original budgeted provision, was transferred as Rs. 800,000 for the object No. 1404 (Taxes and Local Government Authority Taxes) and Rs. 1,200,000 for the object No. 1409 (Other Services) respectively. Even though the reason given for the transfer of the provisions was that the transfers of officers who entitle to have the vehicle allowances, the reason was not confirmed to be acceptable during the review of transport allowance payments made in the year under review.</p>	<p>Apart from the transport allowance given for the staff officers, transportation of goods is carried out through this object. As a limited number of staff was called up due to the epidemic situation prevailed in the country last year, provisions were also made for the transportation of the officers to provide them with transportation facilities. However, transport facilities were not provided due to travel restrictions during the epidemic situation, and purchases were also restricted due to expenditure restrictions. Therefore, the above savings were made due to the expenditure for transporting goods were also limited.</p>	<p>Acceptable reasons for transfer of provisions should be submitted.</p>

2.2 Incurring Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) In terms of the provisions of the Financial Regulations 94(1), even though no expenditure or commitment shall be incurred for work, service or supply, unless financial</p>	<p>More officers had to be engaged in essential duties due to the increase of such circumstances. Commitments have to be made for object 1101 - Local Travel Expenses due to such unplanned emergencies.</p>	<p>Measures should be taken to follow the Financial Regulations.</p>

provision exists therefore in the Annual Estimates except where otherwise provided for, liabilities of Rs.1,332,911 were reached when no provisions were made for the object No. 1101 (Local Travel Expenses).

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| (b) | A security services fee of Rs. 5,713,421 payable to the Ministry of Fisheries for the years 2018, 2019 and 2020 and a sanitary service expense of Rs. 1,890,790 payable for the year 2019 and 2020 were also included within the liabilities of Rs. 7,604,211 related to the year under review belonging to the object No. 1409 (Other services). | The expenses to be reimbursed to the Ministry of Fisheries cannot be paid off within the allocations made for each year for the object of Other Services object ,and this value remains since the additional provisions have not been received despite continuous requests were made for additional provisions. | Liabilities of previous years should be settled promptly. |
| (c) | The liabilities of Rs.1,570,041 related to the year under review were not shown in the financial statements. | Since the Cigas programme only includes expenses up to 11 January 2022, it was not possible to include part of the liabilities related to the year 2022. | All liabilities should be included in the financial statements. |

2.3 Non-compliances with Laws, Rules, and Regulations

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

	Observation		Comment of the Accounting Officer	Recommendation
	Reference to Laws, Rules and Regulations	Value Rs.	Non-compliance	
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(a)	Section 31(4) of the Coastal	1,984,556	Even though Rs. 2,539,683 had	An amount of Rs. 555,127 had been incurred for the

Conservation and Coastal Resource Management Amendment Act No. 49 of 2011.

been spent by the department from 2015 to 31 December 2021 to remove unauthorized constructions, an amount of Rs.1,984,556 recoverable to the department was not recovered yet, and the amount recoverable was 78.1 percent of the total expenses incurred. recovered from the amount spent for the removal of unauthorized constructions during the period from 2015 to 2021, and legal action was initiated to recover the remaining amount due. removal of unauthorized constructions should be promptly recovered in terms of the Act.

(b) Section 4.3.1 (a) - of the Government Procurement Guidelines

Even though the expense of preparing for the procurement and the expenses for the activities after awarding the contract should be mentioned separately in the total cost estimate, the expense for newspaper advertisement incurred for the invitation of bids were not incorporated in the total cost estimate. Measures will be taken to prepare a total cost estimate before awarding the contract. Procurement Guidelines should be followed.

2.4 Issue and Settlement of Advances

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The second advance of Rs.100,000 was given to a same official whose first advance of Rs.25,000 was not settled at two occasions during the year under review ,and it was settled again after a period of 04 months and one and a half months without making any use of the money. Similarly, an officer who received an advance amount of Rs.30,000 also settled it again after a period of 08 months without making any use of that money.</p>	<p>The said officer has been transferred to another division due to the service exigency; therefore, the advances thus obtained have not been utilized and have been arranged to be paid in cash.</p>	<p>The need for advance should be identified precisely.</p>

3. Operating Review

3.1 Non- performance of Functions

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>No arrangements had been made to remove 1,721 unauthorized constructions proposed to be removed out of 2,341 unauthorized constructions identified for the period from 2012 to 31 December 2021. Out of 2,074 unauthorized constructions, the</p>	<p>Those removals could not be carried out due to the reasons i.e. huge costs have to be incurred in removing an unauthorized construction in only one place as well as strong public protests due to that unauthorized constructions are scattered all over the island, Covid epidemic situation, inability to provide new alternative locations in lieu of evictions, not providing adequate security to officers attending to carry out the removals and to the people from whom get assistance for the same from influences from public representatives.</p>	<p>Attention should be drawn on alternative solutions regarding controlling unauthorized constructions.</p>

number of demolished constructs which were ordered for demolition by 31 December 2021 was 446, and it was 21.5 percent of the number of unauthorized constructions that were ordered for demolition.

3.2 Non-achievement of the Expected Outcome

Following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) The underutilized provision out of Rs. 58 million provided in the year 2021 for the construction of 400 meters long revetment embankment at Kalutara Kaleido Beach was Rs. 22 million as at 31 December 2021, and only 33 percent physical progress was shown as at the same date.	Most of the necessary construction materials were procured for the proposed construction and no payments were made during that year. Only 135 meters of its Phase II work was completed. Accordingly, the physical progress of the construction of the side wall can be stated as 33 percent.	The renovation works should be completed promptly.
(b) Out of Rs. 25 million provided for the renovation of 500 meter long Lunawa revetment embankment, the underutilized provision was Rs. 16.1 million as at 31 December 2021, and only 25 percent physical progress was shown as at the same day.	The progress of renovation of the embankment decreased due to the facts i.e. it took time to make an access road for the embankment renovation area at the commencement of work site and to construct a temporary level crossing to access the construction site, material suppliers was to be selected again through procurement as the material supplier requested to increase the price per unit for supplying the	The renovation works should be completed promptly.

material due to the increase in the price of fuel and other related materials in the market.

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| <p>(c) Even though provisions of Rs. 11 million have been made for the extension of the revetment embankment of 115 meter long Muthupanthia North, the underutilized provision was Rs. 5.7 million as at 31 December 2021 due to the inability to procure the necessary machinery to perform those tasks, and it was not possible to carry out the related rehabilitation activities by that date.</p> | <p>Payments have been made for construction materials only in that year since a supplier did not come forward to provide the machinery needed to be procured. Accordingly, 5.3 million has been spent on material supply. The provision of 5.7 million could not be spent due to the inability to get construction machines.</p> | <p>The renovation works should be completed promptly.</p> |
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3.3 Projects Abandoned without Completing

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The project for the reconstruction of the 250-meter revetment embankment at the Bankada junction of Lower Katuneriya , which was included under the emergency coastal conservation work in year 2021,was abandoned without completing after spending an amount of Rs. 56,979.</p>	<p>There was no need for construction because of the subsequent remission of this sudden coastal erosion situation occurred during the Southwest monsoon.</p>	<p>Specific identification should be made regarding emergency coastal conservation work.</p>

3.4 Annual Performance Report

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Even though every entity should submit the Annual Performance Report to the</p>	<p>Measures will be taken to send the performance report along with the annual financial statements in due</p>	<p>The annual performance report should be</p>

Auditor General along with its Annual Financial Statements according to sub-section 16(2) of the National Audit Act No. 19 of 2018, no measures was taken accordingly.

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provided along with the annual financial statements.

3.5 Procurements

Following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) The ground covers happened to be purchased from the only company that quoted the prices due to urgent purchases caused by not correctly identifying the reorder levels as a result of not recognizing the needs of ground cover at the appropriate time, not maintaining minimum stock levels, and Rs. 597.38 was spent for one square meter under emergency purchases on 10 December 2020. According to the agreement reached on 18 February 2021, it was possible to buy a square meter of ground cover at Rs. 382.70 under the general procurement process, and an amount of Rs.498,058 had been over paid by the department at the rate of Rs.214.68 per square meter due to the procurement of 2,320 square meters of ground cover under emergency purchases.</p>	<p>The remaining quantity of ground cover purchased in the year 2019 was used in the year 2020. 40,000m³ of ground cover was purchased from the foreign market through wholesale supply by a local agency. Thus, when buying a large quantity at once, the cost for one square meter is generally minimal. In cases of emergency purchases, the ground covers available in the local market are purchased and then the ground covers imported by the local company are provided. Emergency purchases are based on the minimum requirement. This amount of payment has increased due to change in the value of the dollar due to imported ground cover, the value of the prevailing dollar and his profit, the need of the department and quantity.</p>	<p>Reorder levels must be accurately identified and purchases should be made accordingly.</p>

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| <p>(b) Even though the officer who is authorized to approve the voucher will be responsible for verifying that in the case of supplies, they have been examined and correctly taken on charge in terms of the F.R. 137(5), despite that wooden furniture had not fully received by the Department, the balance amount of Rs. 305,424 of a cheque valued Rs.485,255 written on 31 December 2020 for the purchase of wooden furniture had been transferred to the general deposit account on 03 November 2021 after lapse of more than 10 months upon paying an amount of Rs. 179,830 only for the goods supplied.</p> | <p>In view of the prevailing situation in the country, the supplier could not complete the order and Rs. 179,831 was paid only for the goods supplied and the remaining amount of Rs.305,424 was credited to the government revenue.</p> | <p>Payments related to procurement should be made as per Financial Regulations.</p> |
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3.6 Assets Management

Following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) As per Asset Management Circular No. 04/2018 dated 31 December 2018, Even though every public institution should undertake asset valuation and bringing to accounts, the lands and buildings belonging to 04 divisional engineering offices of the department, the value of 04 machines, 06 vehicles and 08 motorcycles, were not assessed and brought to accounts even by 31 December 2021.</p>	<p>Actions are being taken for the same.</p>	<p>The value of the non-financial assets owned by the department should be assessed and brought to accounts promptly.</p>

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| (b) | No measures were taken to vesting the Rs.103,675,000 worth of lands and buildings belonging to 04 divisional offices of the department and non assessed lands and buildings belonging to 02 divisional offices to the department even by 31 December 2021. | Actions are being taken for the same. | Vesting of assets should be done promptly. |
| (c) | Even though the approval had been given by the District Land Use Planning Committee regarding giving the lands for the department ,where 02 divisional engineering offices have been established, land transfer certificates had not been received. | Actions are being taken for the same. | Land Transfer Certificates should be obtained promptly. |
| (d) | Two motorcycles received from project before 16 years and 09 years had not been taken over to the department even by 31 December 2021. | It was informed that the 02 motorcycles received from project will be taken over and brought to accounts. | Vesting should be done promptly. |
| (e) | According to the Board of Survey Report 2020 conducted on 01 March 2021 related to the Moratuwa divisional office, 29 types of goods to be sold, 05 types of goods to be destroyed and 01 types of goods to be renovated had also identified. However, the relevant recommendations had not been implemented regarding those goods even by the date of audit, 31 December 2021. | It was informed that these disposal activities will be carried out in the year 2022 including the annual board survey 2021. | The relevant recommendations should be implemented promptly. |
| (f) | Rs. 6,722,465 had been spent by the department for the construction of a divisional engineering office building, and even though the second | The second floor of the building consists of two parts with residential facilities to accommodate the departmental officers as per the requirement of | Assets should be utilized with maximum efficiency. |

floor was planned to be used as quarters, the quarters was not used.

the divisional engineer quarters. It was informed that the household appliances required for this purpose will be provided based on the need so as not to exceed the existing provision limits.

- (g) Even though the vehicles that are not in running condition must be disposed before 31 December 2020 in terms of the 02(a) of Asset Management Circular No. 05/2020 dated 02 October 2020, a crew cab and 04 tippers which were not assessed and were not in running condition had not been disposed even by 31 December 2021. Further, an excavator worth Rs. 11,900,000 owned by the department had not been in running condition since September 2019. Even though other 02 machines which had not been assessed had not been in working condition since October 2018, Measures had not been taken to repair or dispose those machines.

Measures are being taken to dispose.

Measures should be taken according to the circulars.

3.7 Uneconomic Transactions

Audit Observation

Comment of the Accounting Officer

Recommendation

A lease amount of Rs. 10,416,515 had been paid by 31 December 2021 for a van obtained under the operating lease system for a period of five years from 23 June 2017 to 22 June 2022. Even though the minimum distance to be run

It was not possible to run the 3000 km per month during these 02 years, due to shutting down the country because of the Corona epidemic situation in the country and due to being on duty only for a limited number of days.

Vehicle excigency should be identified properly and care should be taken to run the vehicle with maximum efficiency.

during the period of 04 years 06 months was 162,000 km, the total distance that the vehicle had run was 91,132 km. Accordingly, the department had incurred a financial loss of Rs. 4,556,775 through underutilization of 70,868 kilometers without driving the minimum mileage of the van obtained, without properly identifying the needs, under operating lease basis.

4. Human Resource Management

Following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Even though the approved cadre of the department as at 31 December 2021 was 541, the actual cadre was 412. Therefore, 129 posts were vacant, and out of these, 14 senior level posts, 57 tertiary and secondary level posts and 58 primary level posts were vacant.	There are vacancies due to non-availability of officers who have completed the qualifications, the delay of the examinations to be held for promotions, the transfer of officers to other departments and the recruitment of primary level officers under the multi-tasking scheme.	Vacancies should be filled.
(b) 14 key posts such as 02 Additional Director General posts, 05 Engineer posts including Chief Engineer, 05 Deputy and Assistant Director posts, 02 Hydrology Surveyor posts ,which are directly related to accomplishing the basic objectives of the department, remained vacant.	One officer out of the 02 officers who held Additional Director General posts in the department was appointed as Director General ,and; therefore, one post became vacant. Necessary arrangements are being made for the appointment to the other post. Engineers for the Post of Engineer have been requested from the Ministry of Public Administration ,and there are vacancies due to non-provision of adequate number of officers.	Vacancies should be filled.