

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 Head 291- Department of Coast Conservation and Coastal Resource Management for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information 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 Coastal Resource Management was issued to the Accounting officer on 13 June 2024 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 05 July 2024 in terms of Section 11(2) of the National Audit Act. 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 2023, 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 is 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

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 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

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 judgment and maintain professional skepticism 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 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 terms of 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 on 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

	Audit Observation	Comments of the Accounting Officer	Recommendation
(i)	The lands where the Batticaloa and Hambantota regional engineering offices are located had not been assessed and the values accounted for as non-financial assets.	Although requests had been made to the Valuation Departments from 2021 to 2023 to value these lands, no response had been received so far.	Lands should be valued and arrangements should be made to account for those values as non-financial assets.
(ii)	Three plots of land measuring 0.7941 hectares, which were not owned by the department, had been valued at Rs. 42,007,000 and shown under non-financial assets in the statement of financial position for the year under review.	The department is in the process of transferring ownership.	Only assets owned by the department should be accounted for.
(iii)	The value of 08 motorcycles owned by the department had not been assessed and accounted for at the end of the year under review. Further, a motorcycle at Godawaya Resort was accounted twice as Rs.15,000 and Rs.40,000.	Only a few motorcycles are in running condition and all motorcycles will be assessed and accounted for in due course.	All motorcycles should be assessed and accounted for at the correct value.

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| (iv) | The value of 04 machines given to the Moratuwa and Negombo Regional Engineering Offices for project work had not been assessed and accounted for under non-financial assets. | 03 of these 04 machines have been removed from service. Only Komatsu WA200 Loader - Galle machine is in service. | The machines in service should be assessed and accounted for, and the machines taken out of service should be repaired or sent for disposal. |
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(b) Imprest Balance

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) According to the treasury computer printouts, although the income collected by the reporting institute on behalf of other heads amounted to Rs. 59,195,935 and the expenditure incurred amounted to Rs. 2,708,221, the balances had been shown as Rs. 42,932,026 and Rs. 2,182,012, respectively, in the imprest adjustment statement.	In preparing the statement of imprest adjustment as per the balances of the statement of financial performance, the balance is obtained by adjusting other receipts other than the actual treasury imprest excluding all cross-entry transactions, and other payments made out of departmental imprest which are not departmental payments	correct values should be given as per treasury computer printout.
(ii) The imprest adjustment statement had been included the Deposit Account Receipts and Payments (cross entries) which should not be reconciled with the Imprest Adjustment Statement amounted to Rs.8,859,698 and Rs.1,014,366 respectively and surcharged expenses amounting to Rs.316,520 by cancelling the cheques by the reporting entity.	In preparing the statement of imprest adjustment as per the balances of the statement of financial performance, the balance is obtained by adjusting other receipts, excluding all cross-entry transactions and other payments made out of departmental imprest that are not departmental payments, other than the actual treasury imprest.	Correct values should be given as per treasury computer printout.

2. Financial Review

2.1 Revenue Management

Audit Observation	Comments of the Accounting Officer	Recommendation
With respect to the four licenses issued to Lanka Mineral Sand Limited from 2007 to 03 September 2020 as well as from 07 September 2020 to 06 September 2021 the department failed to recover fees totaling Rs.	This difference has been communicated and a letter has been sent to arrange for payment of the balance due.	Necessary action should be taken to recover the correct fee due to the government.

72,895,000 and Rs. 1,688,515, respectively, for excess mining of sand cubes. However, Lanka Mineral Sand Limited has calculated that the total amount payable to the department is only Rs. 64,056,000, which they had planned to settle within five years. This situation has raised concerns for the audit.

2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Contrary to State Accounts Circular No. 255/2017 dated 27 April 2017 and Financial Regulations 94(1), liabilities amounting to Rs. 5,582,213 had been committed exceeding the allocated balance of Rs. 10,948 in 04 expenditure objects by 31 December 2023.</p>	<p>There was an inadequate provision for necessary expenditures related to emergency coastal works, including the demolition of several unauthorized constructions during the year. Additionally, the inability to provide additional provisions and the uncontrollable increase in travel expenses necessitated payment in the year 2024.</p>	<p>Arrangements should be made to control the expenses as per the regulations and not to incur liabilities exceeding the balance.</p>

2.3 Certification of Accounting Officer

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Chief Accounting Officer and the Accounting Officer must ensure that an effective internal control system is developed and maintained for the financial control of the department in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018. The effectiveness of that system should be reviewed from time to time and necessary adjustments made to enhance its effectiveness and these reviews be documented in writing and a copy should be submitted to the Auditor General. However, the said reviews submitted by the Department Accounting Officer had been returned uncertified by the Chief Accounting Officer “informing</p>	<p>I would like to inform that taking into consideration the audit observations pointed out by the Government Audit Division and the Department's Internal Audit Division, they have been rectified.</p>	<p>The provisions of Section 38 of the National Audit Act should be followed.</p>

that it has been canceled as per Management Audit Circular No. DMA – 02/2022 (i) dated 08.08.2022”.

2.4 Non-compliance with Laws, Rules and Regulations

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

	Reference to Laws, Rule and Regulations	Observation		Comments of the Accounting Officer	Recommendation
		Value Rs.	Non-compliance		
(i)	The Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 214 of	-	A register of commitments and liabilities had not been maintained along with the necessary detailed information.	All payment commitments and liabilities are entered into the ITMIS system and a printout is available as required.	Arrangements should be made to maintain a register as per the Financial Regulations.
(ii)	Supplement No. 35 dated 25 March 2020 relating to 2.14.1 of the Government Procurement Guidelines 2006	Rs. 35 Mn	Although the purchase of granite and machinery should be done through a Ministry procurement committee for the construction of revetment embankments in Moratuwa, Lunava and Kalutara coasts with the estimated cost of Rs.17 million and Rs.18 million respectively, it had been done through a departmental procurement committee.	Quotations for materials have been made using limited competitive bidding method with the prior approval of the Director General as per the decision of the Departmental Procurement Committee,	Action should be taken as per the Procurement Guidelines.

(iii)	Paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016	-	The fuel test had not been carried out as per the circular provisions regarding 28 vehicles and 18 machines of the department.	Arrangements will be made to conduct regular fuel tests in the future.	Circular instructions should be followed.
(iv)	Public Administration Circular No. 18/2001 dated 22 August 2001	-	Although officers who have worked in the same workplace for more than five years should be subject to transfer, 53 employees across four positions within the combined service have been working in the department for five to 15 years, and 37 employees have been working in the department for more than 15 years without receiving annual transfers.	Every year, a list of officers serving for more than 05 years is sent to the Ministry of Public Administration, Home Affairs, but no transfers had been made.	In coordination with the Ministry of Public Administration, arrangements should be made to transfer the officers who have served in the department for a long period.

3. Operating Review

3.1 Activities contrary to Key Functions

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>In accordance with Sections 7 (e) and 12 of the Coast Conservation and Coastal Resource Management Act No. 57 of 1981, as well as paragraph 6.4.6 of the Revised Coastal Management Plan 2018 approved by the Advisory Council, the Director General of the Department may authorize the release of coastal reserves (setback) only for public development purposes that are deemed necessary based on recommendations from the Coast Conservation and Coastal Management Advisory Council. However, the objective of preventing or mitigating adverse effects on the coastal zone has not been achieved, as construction permits were granted to 81 private applications between December 2021 and October 2023.</p>	<p>In cases where there is no other alternative for development works, the Advisory Council makes recommendations for the development works in the coastal region, minimizing the negative impact on the coastal zone, taking into account the reasonable facts.</p>	<p>Action should be taken according to the provisions of the Act.</p>

3.2 Non-achievement of expected Output Level

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Out of 2,763 unauthorized constructions identified during the period from 2012 to 31 December 2023, 2445 constructions had not been removed by the end of the year under review.	Demolition of illegal constructions is being done as per schedule, and it is directed to remove them promptly on the coast and in the high security zone and to give permission for the constructions within the limit of licensing.	Unauthorized constructions should be removed without delay through a properly planned program.
(b) Out of the total sum of Rs. 3,853,006, an amount of Rs. 3,280,780, or 85 percent, that should have been collected by the department has not been collected from 2015 to 2023 following the demolition made based on the orders issued for unauthorized constructions.	Collecting payments from individuals who are not at their respective addresses has become problematic. The legal department is planning necessary measures to recover these expenses.	Money receivable to the department should be recovered promptly.

3.3 Non-achievement of expected Outcome

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although the issuance of licenses through the online system commenced on 22 February 2019, the objective of reducing the expected license issuance time has not been achieved. This is due to various errors in the system, the manual issuance of permits outside the system, significant time taken for on-site inspections, and the unavailability of online information regarding the sea boundary and construction distance for decision-making.	The 100 percent accuracy of obtaining the distance from the sea limit cannot be confirmed; therefore, it is not possible to retrieve this information through the online system.	Necessary steps should be taken to solve the existing problems and improve the online information system.
(b) Coastal erosion around Kalutara has become a serious issue due to the widening of the Kalu Ganga estuary, which was implemented as a remedy to	The plan we presented to restore the natural condition of the Kalu Ganga mouth, following the complete washing away of the	This should be implemented in coordination with the relevant

control the 2017 floods. From 2017 to 31 December 2023 a sum of Rs million. 189 has been spent on 19 projects. However, no permanent solution to the problem has been found.

Kalido sandbank, was suspended in 2023 due to protests from stakeholders during the Kalutara District Development Committee meeting, who expressed concerns that it may hinder flood control efforts in Kalutara.

agencies to establish a permanent remedy and ensure that the Rs. 189 spent is effective.

3.4 Projects abandoned without completing

Audit Observation

In order to provide the service of the 20 ton excavator machine for 650 machine hours and the cube 01 loader machine for 300 machine hours, a sum of Rs.1,184,925 for 213.5 machine hours and Rs.322,915 for 49.3 machine hours had been paid to the contracted suppliers respectively at the end of the year 2021 to construct a revetment embankment at Kalutara Kaleido beach to prevent beach erosion and sand filling to the nearby road. However, the related work carried out could not be confirmed in audit. Due to the non-execution of the works at the work site, the suppliers had stopped the work in half way and had removed the machines from the work site with the permission of the officials. Accordingly, the estimated prices for the services of the loader machine, excavator machine and tipper for the rest of the work to be carried out in the year 2023 had increased by Rs.1,814,790 compared to the estimated price of 2021. Due to frequent out of order of the excavator machine obtained by quotation, other machines also could not be used. Therefore a sum of Rs. 1,756,280 had to be paid for the idle period since July 2023 to 11 August 2023, and the works at the site remained inactive by the end of the year under review.

Comments of the Accounting Officer

Machine hours have been spent on piling sand near the work site and doing ground work. The prices in the revised estimate have increased due to the steep rise in costs caused by the economic crisis in the country. In the event of idling of other machines due to reasons other than the fault of the machine supplier, such as department supply delays or machine repairs, the minimum number of hours shall be paid for that idle time.

Recommendation

Actions should be taken to get the desired results by carrying out the activities at the work site with proper planning, supervision and in an economical manner.

3.5 Assets Management

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Eleven vehicles assigned to the head office, regional engineering offices, and circuit bungalows have been out of service for almost two years due to repairs and minor defects.	Estimates have been requested for the repair of three vehicles, and the repair of one vehicle has been submitted for the approval of the Secretary of the Ministry.	Due attention should be given to the provisions of Asset Management Circular No. 04/2022 dated 25 January 2022, and the vehicles should either be repaired and put into running condition or, if unfit for use, referred for the disposal process.
(b) Action had not been taken to transfer the ownership of the double cab vehicle valued at Rs. 5,800,000, which was handed over to the State Ministry of Coast Conservation and Low-lying Lands Development on 16 November 2021, nor to retrieve the said vehicle to the department, even by the end of the year under review.	The forms required to transfer the ownership of this vehicle have been completed, and a letter was sent on 06.10.2023 in this regard.	As per Asset Management Circular No. 02/2017 dated 21 December 2017, arrangements should be made either to transfer the ownership of the vehicle or take it back to the department.

3.6 Transactions with Contentious Nature

Audit Observation	Comments of the Accounting Officer	Recommendation
Although a Memorandum of Understanding was entered into with the Information and Communication Technology Agency of Sri Lanka on 09 June 2016 to develop a system for Rs. 5,000,000 to issue permits through an online system for construction in coastal areas, the said institution later assigned the work to a private party for Rs. 14,528,000, resulting in an additional payment of Rs. 9,528,000..	Based on the agreement for Rs. 5 million to carry out these work a Memorandum of Understanding was signed with the Information and Communication Technology Agency of Sri Lanka. However, the said agency had selected a private company through the procurement procedure and offered at the lowest price of Rs. 14,528,000.	At the procurement, the estimate should be accurately assessed, and if the service cannot be provided at the contracted value, the relevant contract should be canceled, and a suitable supplier selected after following the procurement process again.

3.7 Uneconomic Transactions

Following observations are made.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	<p>Machinery Repair Expenditure</p> <p>The 3 excavators, which had been repaired in 2023 at a cost of Rs. 3,183,897, remained idle at the end of the year under review, and the machines needed for the projects were rented. Additionally, without checking the fuel consumption of one of the excavators, it was estimated to burn 24 liters per hour, and the fuel was balanced for 4,500 machine hours from 2018 to the year under review.</p>	<p>Due to the government spending restrictions, all repairs had been halted and the machine decayed further.</p>	<p>Inoperative machines should be repaired and brought to efficient use and fuel consumption tests should be conducted regularly.</p>
(b)	<p>Moratuwa Lunawa beach revetment embankment construction project</p>		
(i)	<p>In order to purchase necessary machines and raw materials to extend the revetment embankment, which was built from 100 meters to 300 meters long to prevent Moratuwa Lunawa beach erosion, the estimated amount was Rs. 24,999,825 at the beginning of 2021. By the end of the year, the embankment had been extended to 410 meters, and the estimate had increased to Rs. 36,287,012. However, the necessity of extending this embankment was not confirmed.</p>	<p>Not Answered</p>	<p>While awarding contracts, the economic and financial stability of the country should be taken into consideration and the need for development activities should be determined.</p>
(ii)	<p>The department incurred a loss of Rs. 1,742,267 in procuring 4,549 block stones that were not supplied in the original procurement because the supplier, who had agreed to supply the necessary raw materials for the project before 25 April 2021 at a contractual value of Rs. 11,960,100, stopped the supply of materials midway.</p>	<p>It was informed that due to the steep increase in the prices of diesel and explosives, it was not possible to supply the materials at the prices for which the contract was awarded. The departmental</p>	<p>Projects should be implemented with a formal draft plan at the beginning to avoid uneconomic expenditure.</p>

procurement committees rejected the price hike requested by the supplier.

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| <p>(iii) The problematic situation on 38 coastal houses was not remedied. Eventhough a payment of Rs. 3,567,321 to the Railway Department for the transportation of raw materials and the deployment of flagmen at the railway crossing had been made due to the non-deployment of flagmen and delays in the supply of materials, the project planned to be completed on 11 November 2021 was delayed and the estimated cost had increased to Rs. 65,919,292 by the end of the year under review.</p> | <p>It was not possible to complete the work site construction activities as scheduled and the work site construction activities are currently being carried out according to the work plan of 2023 after obtaining the machines and materials through re-procurement.</p> | <p>The existing problems should be resolved at the beginning and the project should be completed within the stipulated time to get the desired benefits</p> |
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3.8 Management Weaknesses

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) The mechanical engineering workshop of the department remained inactive, with only one technical officer assigned.</p>	<p>Although two technical officers are to be employed, several officers with technical knowledge attached to the mechanical section have retired. As per the policy decisions of the government, there is no possibility of filling the vacancies as the recruitment of staff has been suspended.</p>	<p>The existing human resources of the organization should be properly managed.</p>
<p>(b) Action had not been taken as per Chapter XXIV Paragraph 4 of the Establishments Code to recover a sum of Rs.303,061</p>	<p>The driver who owes Rs.15,120 in distress loan has applied to the Public Service Commission for reinstatement and the</p>	<p>Arrangements should be made to recover the arrears as per Chapter</p>

related to staff loan for a period between 1 and 3 years to be collected from the officers who had left the service from the department	guarantor of the driver who owes Rs.156,030 in distress loan has not yet sent the installments.	XXIV Paragraph 4 of the establishments Code.
(c) Proper measures had not been taken to recover the amount of Rs. 189,535 that was overpaid as salaries and allowances to four officials who had left the service in the years 2021 and 2023.	A request has been made to the Public Service Commission to reinstate the driver who owes Rs. 39,525. Letters have been sent to others directing the machine operator to pay Rs. 37,601, the office worker to pay Rs. 44,953, and the field worker to pay Rs. 67,456.	Arrangements should be made for immediate recovery.

4. Achieving Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
There was no progress in the target of conserving 70 hectares of sand dunes, mangroves, salt marshes, and sensitive ecosystems by identifying and managing affected areas under the sustainable development goals of climate-related coastal disaster prevention and the sustainable conservation of coastal ecosystems.	There was no possibility of implementing these projects due to a lack of funds in the last few years and circulars prohibiting the start of new projects. Conservation of the Ulla sandbar on the Arugam Bay coast is being carried out by the Department of Forestry, but these proceedings have been delayed by a lawsuit.	Planned tasks should be implemented, and targets should be reached. In cases where this is not possible, plans should be revised and acted upon accordingly.

5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
There were 126 vacancies out of the approved cadre of 541 as on 31 December 2023 in the department, including 06 posts of Deputy Director and Assistant Director (Departmental), 14 posts at senior level, 53 posts at tertiary and secondary levels and 59 posts at primary level. Even though the approved posts of Development Officers were 90, there was an excess of 20 out of the actual number of 110.	02 senior level posts and the post of hydrological surveyor have been fulfilled in the year 2023 and the post of Administrative Officer has been fulfilled in the year 2024.	Necessary approvals should be obtained and recruitments should be made or the ability to maintain activities based on the existing staff should be reviewed and the number of posts should be revised.