

## Head 291- Report of the Auditor General on Department of Coast Conservation – Year 2015

The audit of the Appropriation Account and Reconciliation Statements including the financial records, books, registers and other records of the Head 291-Department of Coast Conservation for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director General of the Department on 13 September 2016. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

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

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and Reconciliation Statements in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

## 2. Accounts

### 2.1 Appropriation Account

#### Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.2114.60 million and out of that Rs.1598.40 million had been utilized by the end of the year under review. Accordingly the savings out of the net provisions of the Department amounted to Rs.516.20 million or 24.41 per cent of the net provision.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	203.80	197.34	6.46	3.17
Capital	1910.80	1401.06	509.74	26.68
<b>Total</b>	<b>2114.60</b>	<b>1598.40</b>	<b>516.20</b>	<b>24.41</b>

## 2.2 Advance Account

### 2.2.1 Advances to Public Officers Account

#### Limits Authorized by Parliament

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

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
10.88	10.21	8.38	10.01	50.00	34.42

## 2.3 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0091/0015/000 of the Department as at 31 December 2015 amounted to Rs.1.84 million.

## 2.4 General Deposit Accounts

The balances of the 04 deposit accounts under the Department as at 31 December 2015 totaled Rs.24.26 million. Details are given below.

Deposit Account No.	Balance as at 31 December 2015
	Rs. Millions
6000/0000/00/0001/0024/000	7.26
6000/0000/00/0016/0057/000	13.73
6000/0000/00/0002/0110/000	2.27
6000/0000/00/0013/0092/000	1.00
<b>Total</b>	<b>24.26</b>

## 2.5 **Audit Observation**

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The Appropriation Account and the Reconciliation Statements of the Department of Coast Conservation for the year ended 31 December 2015, had been satisfactorily prepared subject to the audit observations, appearing in the Management Audit Report referred in Paragraph 1.1 above. The material and important observations out of the Audit observations included in the Management Audit Report appear in paragraph 3.

## 3. **Material and Important Observations**

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### 3.1 **Non-maintenance of Registers and Books**

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It was observed that during the audit test checks, the following registers had not been maintained by the Department.

<b>Type of Register</b>	<b>Relevant Regulation</b>
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(a) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
(b) Register of Fixed Assets of Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 of 28 November 2002.
(c) Register of Liabilities	Financial Regulation 214
(d) Register of Counterfoil Books	Financial Regulation 341
(e) Register of Electrical Equipment	Financial Regulation 454 (2)
(f) Register of Electrical Fittings	Financial Regulation 751 (2)
(g) Official Telephone Register	Financial Regulation 845 (1)
(h) Register of Securities	Financial Regulation 891 (1)
(i) Vehicles Listing Register	Financial Regulation 1647

### 3.2 **Advances to Public Officers Account.**

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The following deficiencies were observed during the audit test checks in respects of the Reconciliation Statement of the Advances to Public Officers Account Item No 29101, as at 31 December 2015.

- (a) According to the Reconciliation Statement made to the audit the sum of outstanding loan balances as at 31 December 2015 had been Rs. 1,106,630 and, although those outstanding

balances remained outstanding since a period ranging from 04 months to 18 years, the follow up action on the recovery of balances had been at a weak level.

- (b) The difference between the individual loan balance of Debtor Ledger as at 31 December 2014 and the carrying forwarded balance of the debtor ledger as at 01 January 2015 amounted to Rs.1, 417.
- (c) Sum of loan balances of Rs. 150,933 of two officers who were transferred out, had not been included in the loan balances of transferred out officers while the total loan balances of Rs. 15,000 of two officers who were transferred in had not been included in the loan balances of transferred in officers.
- (d) An officer in the Department who had gone under no pay leave from 21 September 2011 to 17 October 2011 and from 26 September 2014 to 04 February 2015 had not been reported to duty. Without any disciplinary action has been taken or without proper justification, that officer had been assigned to the service by treating as no pay leave for the above period. Even though, in accordance with 3.2.1 of chapter XXIV of the Establishments Code, the right of borrowing a loan by an officer who has defaulted paying a loan has been dispossessed, a distress loan of Rs.105,586 had been given to that officer on 22 June 2015.

### **3.3 Good Governance and Accountability**

#### **Annual Action Plan**

The Department had spent Rs.208,331 during the year under review for the preparation of “Assessment Report of Supplementary Environmental Impacts” with regard to the Colombo Port City Development Project. However those activities had not been included into the Action Plan.

### **3.4 Assets Management**

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

#### **(a) Idle and Underutilized Assets**

It was observed in the audit test checks that there were certain idle or underutilized assets as classified below.

	Type of Assets	No. of Units	Value	Idle or Underutilized period
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			<b>Rs.</b>	
(i)	Laptop Computers	02	212,000	10 Months.
(ii)	Peodolite Equipment 1600	01	Received from G.T.Z Project	10 Years and 08 months.
(iii)	Peodolite Equipment 212	01	163,000	02 years and 03 months.

**(b) Conduct of Annual Boards of Survey**

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The Following observations are made

- (i) Even though the Annual Boards of Survey for the year 2015 should be conducted, and those reports to be furnished to the Auditor General before 17 March 2016 in terms of the Public Finance Circular No.02/2014 of 17 October 2014, those reports had not been furnished to the audit even by 13 September 2016. The last Annual Board of Survey had been held for the year 2014.
- (ii) Action had not been taken in terms of Financial Regulations 760 and 767 with regard to surpluses, deficits and other recommendations pointed out in the Annual Board of Survey reports of 2014.

**(c) Irregular Utilization of un arrogated Assets.**

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The provision of Rs. 7,800,000 had been made to construct a building for the Negambo Regional Office of the Department during the year under review. The Department had spent sum of Rs. 2,183,087 over the building plan and the soil test without having a proper confirmation as to the ownership of the land which had been allocated to construct the building.

**3.5 Non- Compliances**

**Non compliance with Laws, Rules and Regulations**

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

<b>References to Laws, Rules and Regulations</b>	<b>Value</b>	<b>Non-compliance</b>
	<b>Rs.</b>	
<b>(a) Statuary Provisions</b>		
<ul style="list-style-type: none"> <li>(i) Coast Conservation Amendments Act No. 57 of 1981 as amended by Coast Conservation Acts No. 64 of 1988 and 49 of 2011.               <ul style="list-style-type: none"> <li>▪ Sections 9(2), 12(1), 12(11) and 12(5)</li> </ul> </li> </ul>	<p>-----</p>	<p>Beach Zone and Beach Resources Management Plan should have been prepared based on the results of the survey conducted by the Director General about all the resources and activities in the beach zone. As well, from the date it is implemented, it should have been rectified within 5 years and when there is a rectification, from that date onward within 5 years it should be rectified. As such, as of 31 December 2015, only the beach zone and the Beach Resources Management Plan which had been prepared in 1997, had been implemented by the Department.</p>
<ul style="list-style-type: none"> <li>▪ Sections 31(1), (2)</li> </ul>	<p>-----</p>	<p>Although there should not be any unauthorized constructions and those constructions should be removed within a certain period, 896 unauthorized constructions had been identified during the period from 2012 to 2015 and only 55 constructions or 6 per cent had been removed.</p>

- Section 31(3) 2,197,500 The financial statements of “Coastal Protection Rewards Fund” had not been furnished to audit. Although the cash balance as at 31 December 2015 amounted to Rs.2,197,500, it was revealed at an audit that proper accounts had not been maintained for the collections and payments of the Fund.
- Section 31(4) 12,232,446 The Department had spent Rs.12,232,446 for the demolition and the removals from the year 2011 to the year 2015, an action had not been taken to recover that from the relevant parties.

**(b) Financial Registrations of the Democratic Socialist Republic of Sri Lanka.**

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- (i) Financial Regulation 104(1) ---- Action in terms of Financial Regulations had not been taken with regard to 07 motor vehicles accidents occurred in the year 2015.
  - (ii) Financial Regulations 109 and 113 35,355 Action in terms of Financial Regulations had not been taken with regard to the loss of Rs.35,355 which had been reported as losses.
  - (iii) Financial Regulation 747(1) ---- The office equipment of the Head Office of the Department which had been removed due to the renovation, had been auctioned to the officers in 26 March 2015 without approval of the Secretary of the Ministry.
  - (iv) Financial Regulation 753(2) ---- Goods Receiving Notes had not been issued in General Form 219 with regard to all goods received to the stores.
  - (v) Financial Regulation 1645 96,000 Even though the monthly fuel allowance of Rs.8,000 had been paid for the vehicle attached to the Chief Accountant used by the Accounts Division for official purpose, it had not been confirmed by monthly summaries.

**(b) Public Administration Circulars**

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Circular No. 21/2007 of 11  
September 2007.

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The Prime Minister's approval that should be obtained before leaving the country had not been obtained by 6 officers of the Department.

**(c) Public Enterprises circulars**

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Paragraph 9 of the Circular No.  
ERD/CIR/01/3(I)  
of 11 September 2007.

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A report with regard to the training had not been forwarded to the Department and to the Foreign Sponsor by 6 officers in the Department who had obtained foreign training under the IFAD Project during the year under review.

**3.6 Performance**

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Observations on the progress of the Department according to the Annual Budget Estimate of 2015 and the Action Plan are given below.

**(a) Key functions not carried out adequately**

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An artificial beach had been constructed in Marawila -Thalawila beach by sand feeding from the deep sea in 2013. The same project had been re- implemented as a second stage in 2015 due to massive coastal erosion in that area. The following activities should have been done according to the Cabinet Paper 12/2015, submitted on 18 September 2015 and with reference to the letter from the Minister of Finance of 25 October 2015.

- (i) Since there is a possibility of flowing back of filled sand, a permanent solution should be taken to feed sand to the eroded beach together with the relevant parties.
  
- (ii) A Technical Report should be furnished by a committee consisting of qualified officers for the review of the Cabinet in this regard.

Even though 7 months had lapsed as at 31 December 2015, the report of the committee consisting of 8 officers had not been furnished.

**(b) Non-implementations of Projects.**

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Even though, the provision of Rs. 107,000,000 had been allocated from the Annual Estimate, any expenditure whatsoever had been incurred during the year under review for the following projects. As such, those projects had not been commenced as planned.



<b>Project</b>	<b>Estimated Amount</b>
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	<b>Rs.</b>
Muthupanthiya/ Naguleliya Groyner	15,000,000
Dungalpitiya Rajawela Groyner	30,000,000
Kahawa Groyner	30,000,000
Thelwatte Groyner	30,000,000
Koggala Lagoon	2,000,000
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<b>Total</b>	<b>107,000,000</b>
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**(c) Inadequacy of physical progress in accordance with the Action Plan.**

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The physical progress of below projects which were included in the Action Plan of 2015 showed a minimum level between 5 percent to 47 percent.

<b>Activity</b>	<b>Targeted</b>		<b>Physical Progress</b>	
	<b>Financial</b>	<b>%</b>	<b>Financial</b>	<b>%</b>
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	<b>Rs.</b>		<b>Rs.</b>	
Buildings	7,800,000	100	2,183,000	30
Coastal survey and beach development	8,500,000	100	3,373,000	47
Payagala Breakwater	45,000,000	100	22,378,000	40
Weligama Coastal Garden	25,000,000	100	13,800,000	5
Marawila Breakwater restoration	8,000,000	100	1,008,000	5
Akurala stone dam	20,000,000	100	15,606,000	40
Bandaramulla passenger pathways and revetment	10,000,000	100	1,066,000	40

### 3.7 Losses and Damages

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

- (a) The Department had entered into an agreement on 04 December 2014 with a contractor for the Unawatuna Sand Feeding Project to pump 200,000 cubic meters of sand amounting to Euro 5,187,000. An undated Engineering Certificate had been issued confirming that the work had completed in accordance with the agreement. According to contractor's letter of 11 May 2015, it was stated that the quantity included in the Engineering Certificate is not correct and the actual quantity pumped was 214,070 cubic meters of sand. The Department had incurred a loss of Rs. 20,099,135 due to the fact that the same Engineer had re-confirmed that as per the contractor, the excess 14,070 cubic meters of sand pumped was correct without having collective measurements by the Department and the contractor.
- (b) Unawatuna breakwater with the length of 200 meter had been constructed at a cost of Rs. 66,929,783 in the year 2013, without conducting Environmental Impacts Assessment or a scientific study, and a special committee had recommended to remove 100 meters from that breakwater as a solution for the erosion occurred at a near beach after constructing the above breakwater. The scientific study had been conducted only to remove the breakwater and had the study been done before constructions, a sum of Rs. 37,376,842, the amount spent on removing the breakwater on 29 March 2016 could have been saved. The Department had been incurred a financial loss of Rs. 71,487,484 on the construction of the removed part of the breakwater, on the removing of that part and on the undercharging of the demurrage charges.

### 3.8 Unresolved Audit Paragraphs

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

<b>Reference to Report of Auditor General</b>		<b>Subject under reference</b>
<b>Year</b>	<b>Paragraph Number.</b>	
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(i) 2013	1.6 (a)(i)	Although 326 demolition and removing orders had been issued incurring an expenditure amounting to Rs.5,991,496, any demolition and removal had not been carried out.
(ii) 2013	1.7 (b)	Failure to blacklist the contractor whose contract were cancelled due to the delay in the performance of projects.

(iii)	2013	1.10 (b)	Failure to take proper action with regard to the loss of Rs.4,092,264 incurred due to the failure in following a proper procedure in vesting assets to the Department.
(iv)	2013	1.13 (a)	Proper action had not been taken with regard to the loss of Rs.25,781,265 incurred to the Department due to demolition and removal of a section of the work as it had been constructed in a manner of not fulfilling the objective of the Kapungoda Breakwater Work.
(v)	2014	9.12	Granting of permission should be done after issuing a demolition and removal order and even though the full building should be removed according to the reissued Demolished and Removed Order, only 02 floors of the building consisting of 04 floors had been removed.
(vi)	2014	9.14 (b)	The contract had been awarded to the second lowest quotation by ignoring the company which got highest marks according to the Technical Evaluation Report. Due to that the Department had incurred a loss of Rs.89,831,536.
(vii)	2014	9.14 (c)	Demurrage charges of Rs.11,488,276 had not been recovered on not completing work within the agreed period with regard to the contracts entered into for the construction of Brakewater Constructions and Sand Feeding Projects,

### 3.9 Human Resources Management

#### Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2015 had been as follows.

<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
(i) Senior Level	38	25	13
(ii) Tertiary Level	04	01	03
(iii) Secondary Level	331	237	94
(iv) Primary Level	174	112	62
<b>Total</b>	<b>547</b>	<b>375</b>	<b>172</b>