

Head 291 - Report of the Auditor General on Department of Coast Conservation and Coastal Resource Management - Year 2017

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

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

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

1.3 Audit Scope

The audit of Department of Coast Conservation and Coastal Resource Management – Head 291 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Director General of the Department on 30 October 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports presented to Audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.4 **Audit Observation**

The audit observations of the Department of Coast Conservation and Coastal Resource Management for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.9 of this report. It was observed that the accountability as the Chief Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Accounting Officer in terms of Financial Regulation 128 (1)	Non-compliance with that Provision by the Accounting Officer	Reference to the Paragraph included observation in the Report
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Financial Regulations

128 (1) (a)	The work of his Department is planned and carried out with due dispatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized, and that an endeavor is made to complete the programme of work laid down for the year and/ or to attain the targets specified.	(i). Non-preparation of the budget estimate in a realistic manner (ii.) Functions against the main functions (iii.) Abandoning projects without completion (iv.) Deficiencies in the execution of procurement process	2.5 2.1 (a) 2.1 (b) 2.2
128 (1) (c)	The Financial Regulations and other Supplementary directives of the Government are adhered to	(i). Non-compliance	2.8

in his Department and in addition Departmental directives issued where necessary.

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| 128 (1) (h) | Special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quarter or as otherwise directed regarding arrears and action pursued to expedite the recover the arrears mounts. | (i). | Weaknesses in the recovery of outstanding loan balances of the Advances to Public Officers Account. | 2.6 |
| 128 (1) (o) | The procedure laid down in Financial Regulations 103 to 108 is adhered to in case of losses to Government by the delays, negligence, faults or frauds on the part of officers/ employees and surcharges are imposed on officers/ employees responsible for such losses in terms of FR 156(1) (To ensure the making adequate arrangement thereon shall be, peculiarly, his responsibility) | (i.) | Loss and Damages | 2.3 |

2. Material and Significant Audit Observations

2.1 Performance

The following observations are made.

- (a.) An amount of Rs. 7,305,000 had been provided to the Road Development Authority for the construction of the Mudukatuwa Soyza Road by the Department, which is a road development project.
- (b.) The Lunawa Groynaya which was planned to start in the year 2016 with an amount of Rs. 16 million and the construction site of 180m Gio Bag Revetment Wall had been abandoned due to the protests of the fisher folk and had not been brought forward to implement in the year under review.
- (c.) Only from year 2015 to 2017, 900 unauthorized constructions had been identified and out of them although, 793 had been ordered to demolish, only 123 had been demolished. It was 15 per cent of the ordered to demolish.

2.2 Implementation of the Procurement Procedures

The following observations are made.

- (a.) In terms of the Guidelines 8.12.2 of the Procurement Guidelines, though the engineer should issue a certificate of endorsement confirming that the work had been completed and the payments to be confirmed in accordance with the conditions of the contract. Action had not been taken accordingly relating to the Construction of the Weligama Beach Park, Construction of the Kalpitiya Coastal Environmental Center and the Pearl Class Groynaya.
- (b.) In terms of the Guidelines 5.4.8 (a) and 5.4.9 of the Procurement Guidelines, though a Performance Bond should be retained for works valued over Rs. 2 million, the performance bonds had not been obtained from the machinery and vehicle supply contractors of the breakwater constructions.
- (c.) (i.) In terms of the Guidelines 8.9.1 (a) of the Procurement Guidelines, It was not entered into a contract agreement relating to the heavy vehicle and machinery for the constructions of breakwater by the Department and although a sum of Rs. 13.8 million had been released to the Urban Development Authority on 12 October 2015 for the 1st stage of the development of the Weligama Beach Park, a contract agreement had not been signed for this purpose.

- (ii.) In terms of the Guidelines 8.9.1 of the Procurement Guidelines, though the both parties should be entered into a formal agreement prior to the commencement of works, it was observed that there was a delay when signing agreements for supply of raw material to the construction of Pearl Class Groynaya and agreements had not been signed until the date of completion of the supply. The agreement had been signed after 14 days from the commencement of the contract of repairing the Kalpitiya Coastal Environmental Center. The signing of the agreement with the raw material suppliers for the construction of the Mandathiv T Breakwater III had been delayed a period ranging from 1 to 1 ½ months.
- (d.) In terms of the Guidelines 4.3.2 of the Procurement Guidelines, though the basic cost estimate should be approved by the Head of the Institutions, action had not been taken accordingly relating to the construction of the Pearl Class Groynaya and the construction of the breakwater at Mandathivu.
- (e.) In terms of the Guidelines 8.14.1 of the Procurement Guidelines, Extension of time period a contract can be considered at any special occasion or natural disasters that are satisfactorily confirmed to the procurement institution. However, without such reasons at the several occasions, the time period had been extended by the Department itself during the construction of the Pearl Class Groynaya as a result of not paying due bills of the contractor by the Department.
- (f.) In terms of the Guidelines 2.5.1 (a) of the Procurement Guidelines, when constructing the Pearl Class Groznaya, money had not been available to pay for the bills since there was no system of guarantee of funding for the procurement. As a result, the project had been delayed by 04 months due to the extension of the contract period without having special reasons.
- (g.) As per Paragraph No 8.13.4 of the supplement appended to the Procurement Guideline on 03 October 2007, if the variance is greater than 10 per cent, the approval should be obtained from the Chief Accounting Officer by submitting reasons in the relevant formats, Action had not been taken accordingly relating to the development works of renovation of Kalpitiya Coastal Environmental Center, Construction of Godavaya Holiday Resort, and Development of the second and Third stages of the Weligama Beach Park.

2.3 Losses and Damages

The following observations are made.

- (a.) A sum of Rs. 6,831,000 had been lost to the government as a result of not issuing licenses to charge fees according to the Coast Conservation Regulations No. 1 of 1982 imposed by the Gazette Extraordinary No. 260/22 dated 02 September 1983 and Coast

Conservation Regulations amended by the Extraordinary Gazette Notification No. 2012/51 dated 31 March 2017.

- (b.) A loss of Rs. 2,599,924 had been incurred due to the stoppage of the supply of machinery and raw materials by selected suppliers and it happened to select the second supplier as the service provider in the contracts of Construction of 80m breakwater in Kolinjadiya, construction of Pearl Class Groynaya and construction of the Marawila breakwater.
- (c.) (i.) The demurrage charges amounting to Rs. 1,855,192 that should be charged had not been recovered due to on non-completion as per the contracts and the agreements regarding the coastal conservation of the Department.
- (d.) (ii.) Action had not been taken to recover a sum of Rs. 3,808,200 as the demurrage charges that should be charged on delay in supplying of 02 tons of excavators that purchased in the year under review.
- (e.) It was observed that the payment of Rs. 469,797 made by the Department for the idle times of machineries and vehicles due to delays in supply of metal properly in construction of Mandathiv T breakwater III as a loss.

2.4 Management Weaknesses

The weaknesses observed at audit test checks are shown below.

- (a.) A sum of Rs. 28.1 million had been spent over the estimates prepared by the Department due to not preparing of estimated properly for 8 projects that had been implemented in the year 2017. Similarly, a sum of Rs. 54.79 million had been spent in excess of the provision for 10 projects in the year 2017.
- (b.) Since 01 July 2015, a Coast Guard Regulator had been released to the Presidential Secretariat as a President's Coordinator for Polonnaruwa District and Rs. 738,893 had been paid by the Department for his salaries without fulfilling duties of the Department until 31 December 2017.

2.5 Utilization of Provisions Authorized by Parliament to Perform the Activities

Information on the provision made for the Department, utilization and savings in the year ended 31 December 2017 and the previous year and the audit observations thereon are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
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		Rs. Million	Rs. Million	Rs. Million	
2016	Recurrent	219.14	207.61	11.51	5.2
	Capital	1,827.5	1,122.57	704.99	38.5
	Total	2,046.64	1,330.11	716.52	35
2017	Recurrent	218.46	213.42	5.03	2.3
	Capital	1,116.2	981.66	134.54	12
	Total	1,334.66	1,195.08	139.58	10.4

The following observations are made relating to the above data.

- (a.) The net provisions totalling Rs. 1,562,900 had been made for 02 recurrent objects during the year under review. Out of that, only a sum of Rs. 215,139 had been utilized. Accordingly, the savings out of the provisions made available amounted to Rs. 1,347,761 and it was ranged from 42 per cent to 96 per cent.
- (b.) The net provisions totalling Rs. 339.50 million had been made for 05 capital objects during the year under review. Out of that, only a sum of Rs. 218.54 million had been utilized. Accordingly, the savings out of the provisions made available amounted to Rs. 120.96 million and it was ranged from 24 per cent to 44 per cent.
- (c.) Contrary to Paragraph 02(a) of the State Accounts Circular No.255/2017 dated 27 April 2017, commitments of Rs. 54.011 million had been incurred by exceeding Rs. 757 million of provision made for 06 objects.

2.6 Advances to Public Officers Account

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

Expenditure		Receipts		Debit Balance	
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Maximum Limit	Actual	Minimum Limit	Maximum Limit	Actual	Minimum Limit
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Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
11.00	10.91	9.00	10.64	39.00	33.25

The following observations are made in this connection.

- (a.) According to the reconciliation statement submitted to the audit, the total of the outstanding loan balances was amounted to Rs. 510,614 and although those outstanding balances had been continued for over a period from 3 months to 20 years, the Department had failed to recover above loan balances.
- (b.) The total outstanding balance of 04 officers who had left the service for a period from 3 to 20 years totalled to Rs. 363,705 and action in terms of the Section 4.5 of Chapter XXIV of the Establishments Code had not been taken to recover properly above loan balances as required

2.7 General Deposit Accounts

The balance of the general deposit accounts was totalled to Rs. 35.79 million as at 31 December 2017. According to the time analysis of the general deposit account and action had been taken in respect of 02 deposits that were totaled to Rs. 3.93 million, older than 02 years in terms of Financial Regulation 571.

2.8 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.

**Reference to Laws, Non- compliance
Rules and Regulations** -----

Statuary Provisions

Coast Conservation Act
No.57 of 1981 and Coast
Conservation
(Amendments) Act
No.49 of 2011

- (i.) Section 31 (f) The policies based on preparation of accounts had not been presented with the account of Coastal Protection Rewards Fund for the year 2017.

(ii.) Section 31 (3) An appeal could be made to the relevant Secretary to the Ministry by anyone who is dissatisfied with that order within three days from the date of dispatch of the order after the Director General issued the order to demolition. However, 07 unauthorized constructions of those time period from 11 days to 9 months from the demolition orders pinched had not been followed-up properly and the Department had not taken action a proper action regarding the demolition of those unauthorized constructions.

(iii.) Section 31 (4) After considering a demolition order or after considering the appeals, all the expenses incurred for the demolition of unauthorized constructions and for the demolition of all the items used for unauthorized construction were considered as a debt owed to the government by that person.

2.9 Human Resources Management

Approved Cadre and Actual Cadre

Particulars on the approved cadre, actual cadre, vacancies staff as at 31 December 2017 are given below.

Category Employees	of Approved Cadre	Actual Cadre	Number Vacancies	of
(i) Senior Level	41	31	10	
(ii) Tertiary Level	4	0	4	
(iii) Secondary Level	321	254	67	
(iv) Primary Level	173	124	49	
	539	409	130	
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