

Head 325 Department of Sri Lanka Coast Guard

1. Financial Statements

1.1 Qualified Opinion

Head 325. The audit of the financial statements of the Department of Sri Lanka Coast Guard for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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. Pursuant to Section 11(1) 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 Sri Lanka Coast Guard was issued to the Accounting Officer on 31 May 2023. The Annual Detailed Management Audit Report relating to the the Department of Sri Lanka Coast Guard was issued to the Accounting Officer on 02 June 2023 in terms of Section 11(2) of the National Audit Act No.19 of 2018. The report to 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 will be tabled in due course.

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 Sri Lanka Coast Guard as at 31 December 2022 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 Responsibility of the Chief Accounting Officer and the Accounting Officer on the Financial Statements

The 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 the 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 Sub – 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 annual and periodic financial statements to be prepared.

As per 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 issue the summary report of the Auditor General 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, they could reasonably be expected to influence the economic decisions of users taken 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 the Department’s /internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5 Report on Other Legal Requirements

I declare the following matters in accordance with Section 6 (1) (d) of National Audit Act, No 19 of 2018.

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations I had made regarding the financial statements related to the previous 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
<p>-----</p> <p>A ship donated by the Sri Lanka Navy and a boat donated by the United Nations Office on Drugs and Crime (UNODC) with an estimated value of Rs. 73, 981, 670 and machinery worth Rs. 27,881,944 donated by the Australian Coast Guard during the year under review had not been included in the financial statements, as non-financial assets, and it had not been disclosed.</p>	<p>-----</p> <p>The current value of the ship given by the Navy to the Department of Sri Lanka Coast Guard is approximately Rs. 29,736,000 and the value of the vessel donated by UNODC is approximately Rs. 44,245,670.</p> <p>The value of the machines donated by the Australian Coast Guard is Rs. 27,881,944 which should be included in the financial statements as non-financial assets.</p>	<p>-----</p> <p>Donated non-financial assets should be brought into accounts.</p>

(b) Imprest Balance

Audit observation	Comments of the Accounting Officer	Recommendation
The amount paid to the treasury in the year under review was Rs. 22,991,500 as per the combined trial balance of the department, which was not shown in the Statement of Imprest Account as a settlement of imprest. Similarly, even though the value of imprest settlement through expenditure is Rs. 318,812,087 as per the trial balance of the treasury, the value settled by cash was Rs. 341,803,586 in the statement of imprest account since that value is also stated as a settlement by expenses. Accordingly, a difference of Rs. 22,991,500 between those balances was observed.	It is observed that this is an omission in the preparation of financial statements, and it was noted to record separately the imprest payments to the treasury in cash and expenses in future financial statements.	Imprest payment through Cash and expenditure should be recorded separately.

2. Financial Review

2.1 Management of Expenditure

Audit observation	Comments of the Accounting Officer	Recommendation
(a) The estimated provision of the Department for fuel in the year under review was Rs. 2,400,000 and the total actual expense was Rs. 582,759,746. Accordingly, the fuel expense was Rs. 580,359,746 i.e. 24,180 percent more than the estimate. Since additional fuel is obtained from the Navy without reimbursement due to insufficient estimates,	The value of fuel obtained from the Navy is not reimbursed back to the Navy due to the insufficient provision allocated by the Budget Department for the daily fuel requirement of the department. The approval to provide fuel by the Navy without reimbursement subject to the security restrictions of the country had been given to the Department of Sri Lanka Coast Guard by the letter of the Chief Financial Officer of the Ministry of Defense at the discussion held in	Measures should be taken to forecast the expenses properly and make provisions for object.

the budget of the department the Ministry of Defense with the
 was not used as an participation of Navy officers in the
 instrument of financial year 2022
 control.

2.2 Non-compliance with laws, rules and regulations

	Observation	Comments of the Accounting Officer	Recommendation
	Reference to laws, rules and regulations	Non compliance	
(a)	Department of Coast Guard Act No. 41 of 2009.		
(i)	Section 11 of Part III	Even though an Advisory Council should be established with 09 ex-officio members, the council has not been established so far.	An advisory council consists of ex officio members should be established.
(ii)	Section 12 of Part III	It was not possible to conduct an annual review of the activities of the Department by the Advisory Council ,to submit a comprehensive report to the Minister, to make recommendations to the Minister regarding the policies which in the opinion of the Council ought to be implemented by the Department, and to advice the Minister in charge of Defense in respect of any matter on which their advice is sought due to the fact that the Advisory Council had not been established.	An Advisory Council consisting of ex-officio members should be established.

- (b) 4.2.1 (a), 4.2.2 (a) of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka and Section 04 (13) of the Public Finance Circular No. 02/2020 dated 28 August 2020. Even though a document which chronologically describing the steps in the procurement process from the initiation to the final stage of procurement should have been prepared, it has not been done so. It was noted to prepare a document describing the steps of each individual procurement action in chronological order until its' completion (PTS) covering the year 2023. Procurement guidelines should be followed.

3. Operating Review

3.1 Performance

Audit observation	Comments of the Accounting Officer	Recommendation
330 grams of prohibited drugs and 1300 drug pills which had been seized by the department on 14 occasions during the year under review had been handed over to the Sri Lanka Police. Even though the assessed value of 127 grams of prohibited drugs and pills seized is Rs. 677,770 no measures had been taken to assess the value of 203 grams of prohibited drugs seized in 02 cases.	It is confirmed that the facts mentioned in the draft report are correct, and since it has failed to obtain the assessed value in two occasions, it has not been submitted.	The value of the prohibited drugs should be assessed and handed over to the police.

3.2 Assets Management

Audit observation	Comments of the Accounting Officer	Recommendation
Even though 07 ships and vessels Valued Rs. 283,829,893 remained inactive for a period ranging from 03 months to 3 years, they could not be repaired and put into service due to non-availability of provisions.	Even though the arrangements have been made to order the necessary spare parts for the repair of 07 inactive vessels, they have not been able to be repaired and put into service due to lack of provision.	Priority should be given to repair the vessels and measures should be taken to put those vessels into service.