

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 2022 comprising the statement of financial position as at 31 December 2022 and the statement of 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 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 12 June 2023 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 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 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 qualified 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 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 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 Non-Compliance with Financial Statement Circulars

The Financial statements should have been prepared in accordance with the Public Accounts Guidelines No. 2022/05 dated 13 December 2022. However in the following instances these had not been complied with.

Audit Observation	Accounting Officer Comment	Recommendation
(a) A sum of Rs.3,111,073 had been shown under personal emoluments instead of being disclosed under Subsidies and Transfers in Operating Activities in the Statement of Cash Flow.	The expenses that are in the form of repayments from government revenue had to be shown as Subsidies and Transfers in Operating Activities in the Statement of Cash Flow. Therefore, the interest on loans of the government officials has been correctly shown under personal salaries and operating expenses.	As the interest expense on property loan of the government employees is accounted for separately under the expenses code No.1506, this also has to be disclosed in the same manner in the cash flow statement.
(b) The proceeds from motor vehicle during December 2022 amounting to Rs.555,000 had been shown under operating activities as income collected from other income heads instead of showing as cash inflows from investing activities.	Action will be taken to prepare the account correctly in the future.	Cash received from the sale of motor vehicle being a long-term asset, should be shown under investing activities in the statement of cash flows.

1.6.2 Accounting Deficiencies

(a) Reconciliation Statement on Advances to Public Officers Account

Following observations are made in this regard.

Audit Observation	Accounting Officer Comment	Recommendation
When the “Advance B” account and register of CC 10 were compared, the designation of thirty-three officers and names of six officers had been found different and the designation of sixteen officers had not been entered in the CC 10 register. The distress loan amount recoverable from those officers as at 31 December 2022 had been Rs. 8,007,750.	The designations of the officers in the Staff Service will be changed based on their seniority level and action will be taken to correct the designations and names of the other officers.	The name and designation of the officer should be correctly entered in the “Advance B” account and CC 10 register.

(b) Property, Plant and Equipment

The following deficiencies had been observed while accounting for Property, Plant and Equipment.

Audit Observation	Accounting Officer Comment	Recommendation
(i) The ownership of 03 lands namely Moratuwa, Matara and Godawaya, which had been valued at Rs.42,007,000 under non-financial assets in the statement of the financial position for the year under review had not been received by the Department even as at 31 December 2022.	After the Moratuwa office land was referred to the Ministry of Tourism and Lands, it has been informed that the Ministry had referred it to the Moratuwa Divisional Secretary. The letter dated 22.03.2023 had been sent to the Southern Province, Commissioner of Land inquiring on the current situation on the acquisition of land of Matara office. A letter dated 04.04.2023 has been sent to the Divisional Secretary,	Actions should be taken to take over the ownership.

Hambantota informing to proceed with the transfer of the land of Godavaya resort.

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| <p>(ii) The Halawata Divisional Office, which is maintained in a building owned by the Divisional Secretariat, had been estimated at Rs.2,800,000 and disclosed under non-financial assets.</p> | <p>Action will be taken to check and correct.</p> | <p>Action should be taken to correct.</p> |
| <p>(iii) Even though the ownership of the land where the Divisional Office, Trincomalee of the Department is established had been transferred by the Kuchchaveli Divisional Secretary on 20 June 2014 was estimated at Rs.12,400,000 and the buildings at Rs.44,000,000, these had not been included in the financial statements.</p> | <p>These will be accounted for in the year 2023.</p> | <p>These should be included in the financial statements.</p> |
| <p>(iv) Action had not been taken to value the 08 motorcycles owned by the department, including two motor vehicles registered in the name of the department in 1999 and 2017 and valued at Rs. 9,800,000 and two motorcycles assigned to the department by the United Nations agency in 2022, had not been estimated and accounted for.</p> | <p>The valuation report of these 02 vehicles used and driven after repair had been received on 16.02.2023 and accounted for in the year 2023. No comments had been given on not accounting of motor vehicles.</p> | <p>Action should be taken to assess the value of the motor vehicles and motorcycles and accounted for.</p> |

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| <p>(v) According to the decision of the Procurement Committee, the 07 vehicles sold in the years of 2022 and 2023 for Rs. 2,192,000 had not been accounted for as non-financial assets even at the time of the sale of vehicle.</p> | <p>According to the Public Accounts Circular No.: SA/MA/MA-02/ Assets dated 03.07.2019, the vehicles were condemned and removed from use and running condition. Therefore they had not been accounted for when all the fixed assets were accounted for.</p> | <p>All vehicles should be accounted for as assets as per circular instructions.</p> |
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(c) Imprest Balance

Following deficiencies had been observed when accounting the Imprest balance.

Audit Observation	Accounting Officer Comment	Recommendation
<p>According to the Treasury computer printout the “Expenditure incurred by the reporting entity on behalf of other heads” had been Rs. 10,423,210. However as per the imprest reconciliation statement it was Rs. 9,370,493.</p>	<p>Although the total expenditure incurred under other heads had been Rs.10,423,210, the expenditure incurred by Adhoc amount incurred was Rs.9,370,493 and thereby that balance had been taken to the imprest reconciliation statement.</p>	<p>Expenditure incurred by cross entries should also be entered as per the Public Accounts Guidelines</p>

(d) Non maintenance of books and records

During the sample audit, it was observed that the department had not maintained some of the following records and some records had not been maintained properly and updated.

Audit Observation	Accounting Officer Comment	Recommendation
<p>(i) In terms of Financial Regulation 1647(e), the register containing of vehicle list had not been maintained.</p>	<p>Register is being prepared</p>	<p>Action should be taken to maintain the register according to the Financial Regulation.</p>
<p>(ii) In terms of Financial Regulation 371, advance register had not been updated and maintained properly.</p>	<p>Action is being taken to rectify the errors and maintain the advance register</p>	<p>Action should be taken to maintain the register according to the Financial Regulation.</p>

(e) **Certifications to be made by the Accounting Officer**

Even though according to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Accounting Officer should certify on the following matters. However, action had not been taken accordingly.

Audit Observation	Accounting Officer Comment	Recommendation
According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the Department and the effectiveness of that system shall be reviewed periodically and in order to carry out the system accordingly in an effective manner necessary changes should be made. The reviews that have been made should be in writing and a copy should be submitted to the Auditor General. However a statement on such reviews had not been submitted to the audit.	The audit observations had been taken into account and action has been taken to rectify them.	Action should be taken according to the provision of Section 38 of the National Audit Act No. 19 of 2018.

(f) **Non-compliance with Laws, Rules and Regulations.**

The instances of non-compliances with Laws, Rules and Regulations observed during the sample audit are shown below.

	Reference to Laws, Rules Regulations etc.	Amount. Rs.	Non-compliance	Accounting Officer Comment	Recommendation
(i)	Section 31(4) of the Coast Conservation and	2,892,165	Even though an amount of Rs. 3,410,551 had been spent by the department	There is an issue of recovering from those who are not residing in	Appropriate actions should be

Coastal Resource Management Amendment Act No. 49 of 2011.	since 2015 to 31 December 2022 on removal of unauthorized constructions, a sum of Rs. 2,892,165 recoverable from the relevant party being 84.8 percent of the total expenses incurred had not been recovered.	the respective addresses and necessary actions are being planned by the legal department to collect the expenses.	taken to recover the expenses incurred on the removal of unauthorized constructions from the person concerned
(ii) Financial Regulations 880 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Action had not been taken to obtain security from the officers concerned as per the Security Ordinance.	Action has been taken on 09.03.2023 to refer to the Public Accounts Department.	Action should be taken to obtain security from the officers concerned
(iii) Paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016	Even though Every fuel inspection should be carried out at the earliest of the event that occurs after a period of 12 months or running 25,000 km. or after a main engine-related repair, such fuel inspection on 17 vehicles of the department had not been carried out.	Due to the fuel crises occurred during the year 2022 annual fuel inspection could not be carried out and action is being taken to carry out the fuel inspection on vehicles during this year.	Fuel inspection should be properly carried out.

2. Financial Review

2.1 Revenue Management

Following observation was made on the recovery of revenue receivable.

Audit Observation	Accounting Officer Comment	Recommendation
In relation to 04 licenses granted to Lanka Mineral Sand Limited during the period from 2007 to September 2020 and the license issued from 07	According to the decision taken by the committee appointed in the discussion	Payments due to the government should be recovered early.

September 2020 to 06 September 2021, the amount of sand cube approved by the company in excess of the amount of sand cubes excavated to be charged respectively were Rs.72,895,000 and Rs.1,688,515 had failed to be recovered.

headed by the Secretary of the Ministry of Industry regarding the receipt of money, Lanka Mineral Sand Company has agreed to make the payments due to the government.

2.2 Expenditure Management

Following observations were made on the preparation of annual budget estimates.

Audit Observation	Accounting Officer Comment	Recommendation
Although it is the responsibility of the Accounting Officer to see that the annual estimates of expenditure are prepared as completely and accurately as possible in terms of Financial Regulation 50 (ii), it was observed that through F.R. 66 and 69 transfers, the estimated allocation of the budget of 07 expenditure votes had been changed from 23 percent to 300 percent in the year under review.	According to the National Budget Circular No.: 03/2022, the provisions saved from 04 votes have been transferred by FR 66 to make the payments to be made to the Ministry of Fisheries from the previous year and to cut damages and to pay house rents which were not sufficient for the Vote No. 1404.	Annual expenditure estimates should be prepared as completely and accurately as possible in accordance with the Financial Regulations.

2.3 Incurring of Liabilities and Commitments

Following observations were made on the preparation of annual budget estimates.

Audit Observation	Accounting Officer Comment	Recommendation
(a) At the end of the year under review, it was observed in the liabilities of Rs.5,704,453 that there was an amount of Rs.2,875,316 as security service charge and a service cost of Rs.455,237 to be paid to the Ministry of Fisheries for the year 2019.	The arrears due to the Ministry of Fisheries will be settled in the future by making provisions.	Debts should be created and settled subject to provision limits

<p>(b) All liabilities as at 31 December 2022 should be disclosed in Note (iii) and (iv) of the financial statement, but liabilities amounting to Rs.266,233 had not been disclosed in the financial statements.</p>	<p>The provisions were not sufficient to include the bills as liabilities.</p>	<p>All expenses must be managed within the allocation limits and all liabilities must be disclosed in the financial statements.</p>
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3. Operational Review

3.1 Non- performance of Functions

The following observations are made.

Audit Observation	Accounting Officer Comment	Recommendation
<p>According to the action plan of the year 2022, due to the fact that the physical progress related to the 04 construction works that were planned to be completed in the year was between 5 percent and 35 percent, it was not possible to get the expected benefits from those projects.</p>	<p>Mirissa, construction of 120 meter walkway has been temporarily stopped due to court order. The Coast Guard construction project for the construction of 07 groyne structures at Ampara, Nedavur is planned to be implemented continuously till the year 2023 and the construction work is being carried out. Moratuwa, Lunawa 500 meter long revetment embankment repair project, due to difficulty in procuring diesel for machines, the expected physical progress could not be achieved. The 110 meter gabion and revetment protective embankment project will be completed at Thirukkivil.</p>	<p>The planned goals should be achieved and if not, the plan should be revised.</p>

3.2 Non-achievement of expected Output Level

The following observations are made.

Audit Observation	Accounting Officer Comment	Recommendation
(a) During the period from 2012 to 31 December 2022, out of 2,228 illegal constructions for which demolition orders were issued, 2,069 illegal constructions had not been removed.	The unauthorized constructions on the coast and in the high-security zone, where demolition orders have been issued, will be early removed and action has been taken to give permission for constructions outside the same.	Unauthorized constructions should be removed without delay through a properly planned program.
(b) In the years 2021 and 2022, action was not taken for 255 illegal constructions out of a total of 861 illegal constructions that were identified to be taken actions in 13 districts.	The priority is given primarily to unauthorized constructions on the coast and within the Coast Guard Zone.	Necessary action should be taken against unauthorized constructions through a properly planned programme.

3.3 Procurements

The following observations are made.

Audit Observation	Accounting Officer Comment	Recommendation
According to the Public Finance Circular No. PFD 05/2018 dated 23 October 2018 issued by the Ministry of Finance and Mass Media, for the initiation of e-procurement activities by public institutions through the e-GP system, regarding the procurement functions carried out by the institution, the details of procurement activities from the year 2015 in accordance with the formats mentioned there in and the procurement plan for the year 2019 should have been prepared and submitted to the Public	The department has already started the process of registration of suppliers through e-GP system.	E-procurement should be conducted as per circular instructions.

Finance Department in November 2018. However, the department had not performed any related work so far.

3.4 Asset Management

The following observations are made.

Audit Observation	Accounting Officer Comment	Recommendation
(a) A vehicle had not been repaired and parked for more than one year from March 2022 due to a fault in the electrical system and a Volvo Excavator valued at Rs.11.9 million as per the financial statements, had been dilapidated and rotten due to lack of usage for many years.	It has been decided to repair and drive the non-running car due to a fault in the electrical system, and to dispose of the Volvo Excavator as it is not economically beneficial to repair it.	Due attention should be paid to vehicles and necessary repairs and disposals should be done.
(b) TOYOTA HILUX Double Cab bearing number PD-1046 valued at Rs.5,800,000 shown in the financial statements was handed over to the State Ministry of Coastal Conservation and Lowland Development on 16 November 2021, but no arrangements were made to transfer its title or to get the vehicle to the department.	When it is informed to be returned this vehicle, which was given to the State Ministry on the basis of return, a letter has been sent by the Ministry dated 03.03.2023 stating that it is necessary to use it further.	As the State Ministry has been abolished, arrangements should be made to get the said vehicle to the department.

3.5 Damages and Losses

The following observations are made.

Audit Observation	Accounting Officer Comment	Recommendation
Action had not been taken to complete the investigation relating to the loss of Rs.54,320 occurred to the	Even after the transfer of provision of Rs.750,000 by FR 66 to the relevant expenditure vote, the provision was not	After completion of the investigation action should be taken to write off from the book or recover.

Hyundai Excavator on 23 June 2022, and write off from the book or recover it even by 31 December 2022. sufficient to write off this loss from the books, so it was decided to write off from the books in January 2023.

4. Achievement of Sustainable Development Goals

The following observations are made.

Audit Observation	Accounting Officer Comment	Recommendation
The tasks of implementing the artificial sand nourishment projects identified under the sustainable development goals of preventing climate-related coastal disasters and sustainably preserving coastal ecosystems had not been implemented.	The artificial sand nourishment projects were included in the 2021-2025 plan of the department, but it was decided not to implement them due to the economic crisis in the country.	Planned tasks should be implemented and targets should be achieved and in cases where it is impossible, plans should be revised and actions should be taken accordingly.

5. Human Resources Management

The following observations are made.

Audit Observation	Accounting Officer Comment	Recommendation
As at 31 December 2022, out of the approved staff of 541 in the Department, 148 posts were vacant including 15 posts at senior level, 67 posts at tertiary and secondary levels and 66 posts at primary level and there was a surplus of 24 posts of Development Officers. No action was taken to fill the vacancies or to review the ability to maintain the duties based on the number of available posts and to make revisions as per the requirement.	Recruitment for the vacant posts of Additional Director General and Assistant Director, acting appointment for the post of Director (Coastal Resource Management) has been submitted for approval and the assignment to the post of Deputy Director (Engineering Services) is in progress. The Survey Department has informed that suitable officers will be provided for the post of Hydrographic Surveyor. The Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government have been informed for the posts of Civil Engineer and Control Officer. The surplus staff of the post of Development Officer has submitted to the Department of Management Services for approval.	Action should be taken to obtain necessary approvals and make recruitments or to review the ability of the existing staff to maintain operations and the number of positions should be revised.