

## **Head 160- Ministry of Environment - 2024**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

Head 160-The audit of the financial statements of the Ministry of Environment for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 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 Ministry of Environment was issued to the Chief Accounting Officer on 27 May 2025 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 Chief Accounting Officer on 27 May 2025 in terms of Section 11(2) of the 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 Ministry of Environment as at 31 December 2024 and its financial performance and cash flows for the year then ended in accordance with the 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 Responsibility 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 Chief Accounting Officer for the Financial Statements**

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view 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 in compliance with Generally Accepted Accounting Principles and the provisions of section 38 of National Audit Act No. 19 of 2018.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Ministry 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 Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry 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 Responsibility 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 judgments and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, 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.

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

As required by Section 6 (1) (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) The financial statements are consistent with the preceding year,
- (b) The following recommendations made by me relating to the financial statements of the preceding year, had not been implemented.

Paragraph reference of the report in relation to the preceding year	Recommendation not implemented	Paragraph reference of this report
1.6.1. (a) (ii)	The action should be taken to legally take over the land in which Sobadam Piyasa building is located where the Ministry of Environment is functioned and disclose the valuation amount of Rs.261, 000,000 in the financial statements.	1.6.1. (a) (i)
1.6.1. (b)	The value of Rs.27, 790,000 in relation to a vehicle disposed on 09 November 2023 and 10 vehicles transferred to other institutions up to 31 December 2023 had been included in the value of non-financial assets as at 31 December 2023 of the ministry.	1.6.1. (a) (ii) (iii)

## 1.6 Comments on the Financial Statements

### 1.6.1 Accounting Deficiencies

#### (a) Property, plant and Equipment

The under-mentioned deficiencies had been disclosed in relation to the accounting of property, Plant and Equipment.

Audit Issue	Comments of the Chief Accounting Officer	Recommendation
(i) No step had been taken to disclose the valuation amount of Rs.261,000,000 of the land in which Sobadam Piyasa building is located and the Ministry of Environment is functioned in the financial statements under non-financial assets and no action had been taken to legally transfer the land.	The action will be taken to disclose the valuation amount in the financial statements having transferred the land legally.	The action should be taken to legally transfer the land in which the ministry building is located and disclose the valuation amount of the land and building in the financial statements.

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| <p>(ii) Jeep value of Rs.3,000,000 discarded from the usage by ministry had been included in the non-financial assets of ministry as at 31 December 2024.</p>   | <p>Having legally transferred, the action will be taken to remove from the non-financial assets.</p>  | <p>The value of the disposed assets should be removed from the accounts.</p>                                    |
| <p>(iii) Even though the preliminary activities in relation to legally transfer 09 vehicles temporary attached to Uma Oya Lower Valley Development Project had been carried out by Ministry of Environment to Ministry of Irrigation on 26 April 2022, it was observed that the value of Rs.16, 800,000 related to 09 above-mentioned vehicles which are not currently utilized by ministry had been included in non-financial assets as at 31 December 2024.</p> | <p>It had not been legally transferred up to now and after it had been legally transferred, the action will be taken to remove from non-financial assets.</p>   | <p>The action should be taken to expeditiously transfer and rectify the accounts.</p>                           |
| <p>(iv) Cab value of Rs.7, 990,000 handed over on 21 September 2020 to Ministry of Wildlife and Forest Conservation had been included in non-financial assets of ministry as at 31 December 2024.</p>   | <p>Having legally transferred, the action will be taken to remove from non-financial assets.</p>  | <p>The legal transfer activities should be expeditiously taken and the assets should be properly accounted.</p> |
| <p>(v) Even though 02 vehicles belonged to Ministry of Irrigation and Aquatic Resources Management are being utilized by Ministry of Environment currently, no action had been taken to transfer the ownership of such vehicles to the name of Ministry of Environment and the action had not been taken to include the value of Rs.9, 900,000 related to that in the non-financial assets as at 31 December 2024.</p>  | <p>A letter had been submitted to Ministry of Defense in order to obtain the consent for transfer the motor vehicle. In accordance with the notice made by Comptroller General's Office to fill and submit M.T.A.06 for transfer the registration ownership of Jeep, such format had been filled and forwarded to Comptroller General's Office.</p> | <p>The legal transfer activities should be expeditiously taken and the assets should be properly accounted.</p> |

- (vi) It was observed that the vehicle Having legally transferred, The legal transfer value of Rs.2, 500,000 which is the action will be taken to activities should be utilized by Ministry of include in the non-financial expeditiously taken and Environment presently had not assets. the assets should be been included in the value of non- properly accounted. financial assets as at 31 December 2024.

## 2. Financial Review

### 2.1 Expenditure Management

Audit Issue	Comments of Chief Accounting Officer	Recommendation
(a) The provision of Rs.10, 700,000 received for 08 objects in 2024 had totally remained.	Non-submission of requests by the Cabinet of Ministers, no minister's staff in some occasions, not request the charges for lease rental by the local authorities, non-completion of the training programs as planned and not required the rehabilitation and renovation of capital assets as expected are the reasons for this remaining.	The provision should be allocated only for the amount matched to the requirement.

### 2.2 Non-compliance with laws, rules and regulations

Instances of non-compliance with the provisions of laws, rules and regulations observed in the sample audit tests are descriptively indicated below.

Observation	Comments of Recommendation
Reference to laws, Value Non-compliance Chief Accounting	Officer
rules and regulations Rs.	
Financial Regulations of Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 104(1) (3) and Financial Regulation 104 (1) (4)	The preliminary report prepared in relation to the vehicle met with A committee had been appointed to carry out an inquiry with The action should be taken as per the Financial Statements.

<p>an accident on 04 October 2024 had not been presented to the audit up to 10 April 2025 and the submission of a full report in relation to 02 motor vehicles belonging to ministry had delayed 02 months and 02 years and 10 months.</p>	<p>regard to the vehicle accident in accordance with F.R. 104 (3) and relevant report had not been presented so far.</p> <p>The submission of full report had delayed due to business of duties of the officers in inquiry committee on one vehicle accident. Even though the estimate related to renovation of other vehicle had been submitted to the insurance company on 06.12.2021, it had been informed the money to be paid on 25.07.2023. The providing of inquiry report had delayed.</p>
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## 2.3 Deposit balances

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The implementation of the unified fee system referred to in Chapter No. 06 of the Code of Practice on Mining, Transportation and Trade of Minerals used in the construction industry was temporarily suspended for a period of 2 years from 31 August 2024 through Cabinet Decision No. CMP/24/1711/622/012 dated 10 September 2024. According to 3.2 of the said Cabinet Decision, it had been expected that the issues of recovery of money during the period of implementation of the said fee system and the issues of errors would be rectified as soon as possible. However, a balance of Rs. 5,452,224 deposited in the General Deposit Account of the Ministry of Environment on 30 December 2023 and 24 September 2024 had not been settled as of 31 March 2025. Although the amount of Rs. 1,365,923 received as fees for the year 2024 from the Irrigation Department under the unified fee system had been deposited in the Ministry's General Deposit Account to be given to the Geology and Mines Bureau, that amount had also not been settled as of 31 March 2025.</p>	<p>Fees for mining, transportation and trading of minerals used in the construction industry are deposited directly by the relevant institutions or individuals into the bank account of the Ministry of Environment under the unified fee system. The Geological Survey and Mines Bureau is responsible for examining the documents and relevant receipts submitted by the institutions to which the fees are to be distributed, and should notify the Ministry of Environment and make payments accordingly.</p> <p>Since it has not been possible to make payments due to certain issues that have arisen, these issues will be resolved in the future and payments will be made to the relevant institutions.</p>	<p>Action should be taken to resolve the issues that have arisen and make payments to the relevant institutions.</p>

### 3. Operational Review

#### 3.1 Foreign aid projects

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
Although a sum of Rs. 46,371,500 had been spent on the establishment and purchase of equipment for the National Climate Change Data Sharing Networking System (NCC-DSN) proposed to be developed and implemented by the Climate Change Mitigation Action Cooperation Project, it was observed that this system was not operational as of 31 March 2025, to achieve the expected objectives. Although this had been pointed out in previous audit reports, it had been stated at the Committee on Public Accounts held on 19 November 2021 that the progress of this project was not satisfactory and it had been emphasized that there should be a method for updating the data system in good coordination with the relevant sectors and the need for continuous follow-up of this system.	The Ministry of Environment developed and launched the web-based National Climate Change Data Sharing Network and provided desktop computers to selected institutions to support it and it had to face newly established technical challenges and limited capacity building challenges in carrying out the above tasks, as a result there was the temporary inactivity of the NCC-DSN. For this purpose, a service provider selected with financial support from the second NDA Readiness Project successfully completed a series of workshops and system assessments for stakeholder institutions by 25 December 2024. A re-survey was also conducted on the data to be obtained from stakeholder institutions and actions were taken to identify the institutions that had difficulty providing data and hold discussions on that data during the series of workshops.	Action should be taken to achieve the desired objectives in accordance with the terms of the agreement entered into with the company selected to establish the data system and action should be taken in accordance with the recommendations of the Committee on public Accounts regarding this project.



### 3.2 Assets Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The Committee on Vehicle Disposal in relation to the Ministry had made recommendations for the disposal of the vehicle in December 2020 and two years after the committee's decision, an application had been made for the disposal of this vehicle for Rs. 2,250,000 on 03 November 2022. Although the Comptroller General had given approval to dispose of the vehicle on 09 March 2023, the vehicle had not been disposed of until 31 March 2025.	According to the report submitted by the Committee on Vehicle Disposal in December 2020 regarding this ministry, the relevant vehicle has been classified under Category III. Accordingly, the necessary tender documents for the disposal of this vehicle have been prepared and submitted to the Procurement Committee.	Actions should be taken to investigate the improper implementation of the decisions of the Abuse Committee and take appropriate action.
(b) According to the information obtained from the Department of Motor Traffic, the number of vehicles registered in the name of the Ministry of Environment was 251 and in addition, the registration certificates of 06 vehicles used by the Ministry were submitted to the audit. According to all the data, although the total number of vehicles registered in the name of the Ministry of Environment was 257, according to the information submitted to the audit, the number of vehicles physically registered in the name of the Ministry was 55. It was also observed that 03 vehicles included in these 55 vehicles were used by other institutions. Information that the remaining 202 vehicles were transferred to other institutions under the then Line Ministry, misappropriated, or disappeared was not submitted to the audit.	Although some vehicles have been registered in the name of the Ministry, when the scopes of the Ministry changes and as those vehicles are assigned to the changing Ministry, those vehicles are not mentioned in our Ministry Vehicle List. The Ministry currently are in possession of only 57 vehicles. Details will be obtained from other Ministries in the future and actions will be taken to assign those vehicles to the relevant Ministries.	Actions should be taken to resolve this situation urgently.

### 3.3 Uneconomic Transactions

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
A jeep that had been involved in an accident in 2013 had been disposed in 2023 for a sum of Rs. 1,800,000 without following the methods of sale by open bidding or public auction as per the instructions of Asset Management Circular No. 05/2020 and Rs. 1,614,105 of the proceeds of the disposal was used to cover the repair costs and the remaining amount of Rs. 185,895 had been remitted to the General Treasury. Since full insurance coverage had not been obtained for this jeep, it had been necessary to spend Rs. 1,614,105 of the amount disposed of the jeep to cover the loss caused by the accident.	An investigation is carried out regarding the relevant jeep.	Actions should be taken to identify the party responsible for the damage caused by the accident and actions should be taken to recover those damages.

### 3.4 Management weaknesses

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) i. Although an agreement had been entered into between the Secretary to the Ministry and the Additional General Manager of the relevant institution on 27 December 2019 for the maintenance of the <i>Sobadham Piyasa</i> building for the period from 21 August 2018 to 20 August 2023 at an estimated cost of Rs. 43,156,152, formal approval had not been obtained for that work.	I hereby submit the relevant Procurement Committee approvals for the signing of the Procurement Approval, Maintenance and Service Agreement for the period 2018 – 2023 and for making payments. Procurement approval was granted to extend the contract for the maintenance and service of the building from 21.08.2022 to 20.08.2023 and to make payments accordingly.	Actions should be taken to obtain the Prior approval formally to delegate maintenance work to the relevant institution.

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| ii. According to the information submitted to the audit, the total service fee paid for the period from 2021 to 2023 was Rs.27,600,848 and the service fee paid for the year 2024 was Rs. 11,053,864. Accordingly, the total cost spent on the maintenance of the <i>Sobadham Piyasa</i> building for the last 04 years was Rs.38,654,312. | The maintenance and service activities of the building have been carried out under a new agreement subject to procurement approval from 07.05.2024 to 31.12.2024. Accordingly; the service and maintenance activities of this building have been carried out under this approval. | Actions should be taken to obtain the Prior approval formally to delegate maintenance work to the relevant institution. |
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#### 4. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) It was observed that as of 31 December 2024, there were 15 vacancies out of 65 approved senior-level posts in the Ministry and 12 vacancies out of 59 approved primary-level posts.	Since the recruitment for the posts of the Sri Lanka Administrative Service and the Scientific Service at the executive level is carried out by the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government, the Ministry of Public Administration has issued periodic notifications through the MISCO database and in writing to fill those vacancies. This Ministry has not requested approval of the posts in the Sri Lanka Agricultural Service. Since the posts in the Agricultural Service that have been approved and the post approved for Sri Lanka Engineer Grade I did not exist in the previous staff of the Ministry of Environment and since the need for those posts does not arise at present, it has been requested to revise the said approval.	Necessary steps should be taken to ensure that management activities are carried out systematically and efficiently.