

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 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 Department of Sri Lanka Coast Guard was issued to the Accounting Officer on 15 May 2025 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 09 June 2025 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a fair view in all the material aspects of the financial position of the Department of Sri Lanka Coast Guard as at 31 December 2024 and its financial performance and cash flow in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters appear in Paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of Matter - Basis of Preparation of Financial Statements

I draw attention to Note 1 of the financial statements, which describes the basis of preparation of these financial statements. The financial statements had been prepared for the requirement of the Department of Sri Lanka Coast Guard, the Treasury and the Parliament in accordance with Financial Regulations 150 and 151 of the Government and State Accounts Guideline No. 06/2024 dated 16 December 2024, as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Sri Lanka Coast Guard, the Treasury and the Parliament of Sri Lanka. My opinion in this regard is not modified.

1.4 Responsibilities of the Chief Accounting Officer and Accounting Officer on Financial Statements

The Accounting Officer is responsible to prepare financial statements that give a true and fair view in all material aspects and to determine such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error in accordance with Government Finance Regulations 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025 .

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 annual and periodic financial statements to be prepared.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.5 Auditor's Responsibility on Audit of 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, 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 exercised professional judgment 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 its internal control.

- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- 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.

The Accounting Officer is made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.6 Comments on Financial Statements

1.6.1 Non-compliance with the Provisions of the Financial Statement Circular

Although the financial statements should be prepared in accordance with State Accounts Guidelines, the instances that deviate from those requirements are as follows.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although the basis of reporting and the format of the statement of financial position have been revised under the notes to the financial statements in accordance with the revised Department of State Accounts Guideline No. 06/2024 dated 18 February 2025, the necessary amendments had not been made to the financial statements submitted for audit for the year under review.	It is informed that the actions will be taken to correct in preparing financial statements of this year.	Actions should be taken to prepare financial statements in terms of State Accounts Guidelines.
(b) Although the difference between the original cost and the revised cost should be clarified when preparing ACA 2(iii) Format in accordance with Paragraph 06 of State Accounts Guideline No. 06/2024 dated 16 December 2024, the actual cost had been stated as per the revised expenditure estimate in Format	The accurately prepared ACA 2 (iii) Format has been submitted for necessary requirements.	Actions should be taken to prepare financial statements in terms of State Accounts Guidelines.

ACA 2 (iii) prepared for the year under review.

1.6.2 Accounting Deficiencies

(a) Recurrent Expenditures

The following deficiencies were observed in the accounting of recurrent expenditure related to the financial statements.

Audit Observation	Comments of the Accounting Officer	Recommendation
Due to the fact that the estimated fuel expenditure of Rs. 4,000,000 in the year under review was not sufficient, fuel had been obtained from the Navy without reimbursement. Accordingly, although the fuel expenses made by other Ministries and Departments for the ships, vessels and vehicles used by the Department was Rs. 373,986,555, only the fuel cost of Rs. 3,811,696 had been stated under expenditure object 1202 in the ACA - 2 Formats. Accordingly, the accurate fuel cost of Rs. 377,798,251 had not been disclosed in the financial statements.	Out of the allocation of Rs. 4,000,000 allocated for fuel, a sum of Rs. 3,811,696 has been spent and it has been used to purchase lubricants for the vehicles of the Department. The expenses for the fuel required for vehicles, ships and vessels owned by the Department of Sri Lanka Coast Guard has been borne by the Sri Lanka Navy without being reimbursed. It has been informed that the actions will be taken to make aware the Ministry of Finance to indicate fuel expenses for future years in financial statements and to obtain the necessary approval, to allocate the required amount of fuel and lubricants separately to the Department of Sri Lanka Coast Guard when allocating funds from the Department of National Budget for the year 2025 as response to the letter sent to the Ministry of Defense requesting	The accurate fuel cost related to the Department should be disclosed in financial statements.

immediate appropriate instructions on the next steps to be taken accordingly and also there is a possibility of proper representation in the financial statements.

(b) Property, Plant and Equipment

The following deficiencies were revealed in the accounting of property, plant and equipment.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) If there are non-financial assets to be reported, they should be properly identified and accounted for at cost or, where cost cannot be determined, at estimated value in accordance with Paragraph 8.2 of State Accounts Guidelines No. 02/2024 dated 19 January 2024 and State Accounts Guidelines No. 06/2024 dated 16 December 2024. Nevertheless, the non-financial assets valued at approximately Rs. 45,391,232 received as foreign grants by the Department of Sri Lanka Coast Guard had not been included in the ACA-6 Format. Accordingly, non-financial assets as at 31 December 2024 had been understated by Rs. 38,996,346 in the statement of financial position.	The items received as donations in the year 2024 have been submitted for accounting and relevant actions are being taken to account for those items. Further, it is informed that steps will be taken to include these items when preparing the final financial statements for 2025 .	All non-financial assets remaining at the end of the financial period should be properly assessed and disclosed in the financial statements as per the Guidelines.
(ii) Although the opening balance of non-financial assets as per ACA-06 Format for the year under review was Rs. 2,591,869,939, the closing balance of non-financial assets as per ACA-06	The reasons for the difference between the opening balance of non-financial assets can be stated that when entering the items received in 2024 from	The reasons for the difference of Rs. 44,195,986 should be identified and the accurate value should be disclosed.

format for the year 2023 was Rs. 2,547,673,953. Accordingly, a difference of Rs.44,195,986 was observed. Although the above difference occurred due to the vehicles cost at Rs. 26,773,159, which were not separately included in the classification of transport equipment (Category No. 2.1) of non-financial assets in the year 2023, have been included in the opening balances of the year 2024 and revising of the opening balances of 07 items in the machinery and equipment (Batch 2.2) classification by Rs. 17,422,828, it had not been disclosed about these amendments.

foreign grants into the CIGAS system for accounting, those values were mistakenly added to the opening balance and actions are being taken to correct it.

- (iii) Although the value of the ships, vessels and boats owned by the Department as at 31 December 2024 was Rs. 133,576,670 as per the schedule of Non-financial assets of the year under review (ACA-06), the value of 30 ships, vessels and boats owned by the Department as at that date was Rs. 3,429,633,315 according to the letter of the Director General of the Department No. DGCG/LOG/10 (b) dated 09 April 2025. Accordingly, the non-financial assets and property, plant and equipment reserves had been understated by Rs. 3,296,056,645 as at 31 December 2024.

The ships and vessels in the Department's possession have been received as donations by the Navy and several foreign countries. Out of these vessels, only the vessels of CG 61 (Jayasagara) and CG 106 (RHIB) have been included in the (ACA-06) schedule and the values of other vessels have not been included. Therefore, it is informed that the Department of Coast Guard will promptly include the value of the remaining 29 vessels, excluding the two vessels mentioned above, in this schedule, in relation to the list remaining at present on 31 vessels and ships.

Actions should be taken to record accurate values in financial statements.

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| <p>(iv) Actions had not been taken to value the cost or estimated value of SLNS Suraksha (CG 60) Ship belonging to the Department of Sri Lanka Coast Guard as at 31 December 2024 and to show in the financial statements.</p> | <p>The Ship CG 60 (Suraksha) owned by the Department was given as a donation to the Department on 14.7.2017. Further, a proper assessed value for this ship has not been stated so far.</p> | <p>The value should be properly valued and recorded in the financial statements.</p> |
| <p>(v) Although the value of the vehicles owned by the Department as at 31 December 2024 was Rs. 89,258,076 as per Schedule (ACA-06) of Non-Financial Assets of the Year under Review, the value of 75 vehicles registered in the name of the Department on that date was Rs. 81,788,958 according to the letter of the Director General of the Department No. DGCG/LOG/10(b) dated 10 April 2025. Since it was observed that the Department has 03 ATVs machines valued Rs. 21,486,533 and accordingly, the total value of those 75 vehicles and the 03 ATVs should be around Rs. 103,275,491 the non-financial assets and property, plant and equipment reserve had been understated by Rs. 14,017,415 in the financial statements as at 31 December 2024.</p> | <p>Although 03 ATV (All-Terrain Vehicle) vehicles owned by the Department cannot be registered with the Department of Motor Traffic, the relevant vehicles have been included as a property of the Coast Guard Department in the Office of the Comptroller General (NFAMS system) and the value of them is Rs. 21,486,533. The value of remaining 53 vehicles belonging to the Department should be added for non-financial assets in the year under review (ACA - 06) and it is informed that the spare parts, battery and the foot-bicycle should be removed from the non-financial assets of the year under review (ACA - 06) schedule and actions will be taken to resolve the conflict in the future.</p> | <p>The value of non-financial assets and property, plant and equipment should be accurately entered in the financial statements.</p> |

2. Report on Other Legal Requirements

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

- (a) The financial statements are consistent with those of the preceding year.
- (b) The recommendations made by me regarding the financial statements of the preceding year had been implemented.

3. Financial Review
3.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
All the provisions allocated for Staff Training (JICA) under the expenditure item 2401-17, which had a net provision of Rs. 10,000,000, remained at the end of the year.	Since the provision of Rs. 10,000,000 allocated for Staff Training (JICA) under the expenditure head 2101-17 has been allocated to this Department only nominally (for accounting purposes), the Department of Coast Guard decided not to take further actions regarding these provisions after presenting the facts during the progress review meetings held at the Ministry of Defense in this regard.	Actions should be taken in collaboration with relevant institutions to utilize the funds with maximum efficiency.

4. Operational Review
4.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the Annual Action Plan should include activities prepared according to priorities based on the approved budget of the year under review, the implementation timeframe, expected outputs and results, and the party responsible for them, in order to achieve the specific goals and objectives assigned to that institution in accordance with Paragraph 03 and Guideline Number 12 of Public Finance Circular No. 02/2020 dated 28 August 2020, all areas of responsibility assigned to each division and the activities under them had not been specifically identified in the prepared Action Plan and only the manner in	A study was conducted regarding the shortcomings in the Action Plan prepared for the year 2024 and accordingly, the shortcomings related to all Departments under the Ministry of Defense were discussed at length during the discussion held on 08 April 2025 regarding the presentation of the Annual Action Plan 2025 of the Ministry of Defense and awareness was made on how these shortcomings should be corrected in the Action	The Action Plan should be prepared including the activities prepared according to priorities based on the approved Budget, the implementation timeframe, the expected allocation and results, and the party responsible for them.

which the annual allocations would be spent and the percentage of expected financial and physical progress had been indicated.

Plan 2025. Accordingly, actions have been taken to correct the shortcomings pointed out in the above discussion on 10 April 2025 and submit the Annual Action Plan prepared for this Department for the year 2025 to the Ministry of Defense.

4.2 Failure in Performing Duties

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although the annual financial statements of each ministry, department and other specified institutions and commissions and annual financial statements of every other audited entity, should be submitted by the Chief Accounting Officer to the Auditor General, together with the Annual Performance Reports of such institutions, within such period as may be prescribed by the rules in terms of Section 16 (2) of the National Audit Act, No. 19 of 2018, the Draft Annual Performance Report for the year under review had not been submitted for audit even by April 2025 .	The Annual Performance Report 2024 has been prepared in Sinhala and has been submitted to the Ministry of Defense on 27 March 2025 for observations. After receiving the observations of the Ministry of Defense, actions will be taken to translate into English and Tamil and submit the report to the Ministry of Defense again. It has been further informed that actions will be taken to submit the final Performance Report including the audited final accounts and audit report after receiving the observations of the Ministry of Defense.	Actions should be taken to submit Draft Annual Performance Report along with financial statements.
(b) It was observed that the Department of Coast Guard had failed to acquire 06 plots of land owned by other departments and institutions used by the Department of Sri Lanka Coast	The acquisition of lands in Wellawatte (where the Varuna Institute is located), Balapitiya Lifeguard Training School, Panadura and Thoduwawa is being	Actions should be taken to carry out follow-up activities regarding lands for which consents have been received for

Guard even by 31 December 2024 .	carried out. Further, the consent has not been received to acquire the land belonging to the Navy in Dikowita (harbour) and the Kodbe land .	transfer and to complete the acquisitions promptly.
(c) Of the drugs seized during the year under review, a weight of 15,067 kg of KENNDU LEAVES had been handed over to the Sri Lanka Customs for further action and all other drugs had been handed over to the Sri Lanka Police, follow-up actions had not been carried out regarding the further steps taken in this regard.	The seized drugs as at 31 December 2024, are handed over to Sri Lanka Customs and Sri Lanka Police in writing using Form CG 003 for legal purposes, with copies to the Ministry of Defense and the National Audit Office and the further legal proceedings will be carried out by that institution and follow-up actions are not carried out by the Department Coast Guard.	The progress of legal proceedings should be followed up after the seized drugs are handed over to the relevant institutions.

4.3 Projects that have not made Progress Despite the Funds released

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though it had been planned to construct a four-storied building with residential and administrative facilities for the Coast Guard Varuna Institute at an estimated cost of Rs. 98 million, it was failed to disclose to the audit the date on which the construction of the building began and although Rs. 10,000,000 and Rs. 35,000,000 respectively, for a total of Rs. 45,000,000, had been allocated for this in 2022 and 2023, a total expenditure of Rs. 18,621,620 had been incurred, amounting to Rs. 4,911,478 and Rs. 13,710,142 in those years respectively. Nevertheless, the physical progress of this project was zero per cent.	Funding was received for the four-storied building of the SLCG Waruna Institute in 2022 and 2023. Further , the ownership of this land was in the hands of SLCG Department at that time and therefore, goods valued Rs. 18,621,620 had been ordered for it and after that,, since a problematic situation arose regarding the ownership of the land, the project could not be started and as a result, the physical progress of the project was zero.	Construction projects should not be initiated and purchases should not be done without clarifying the ownership of the land and purchased goods should be effectively utilized.

4.4 Asset Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) There were 05 vessels out of the ships and vessels owned by the Department that had been inactive for more than 06 months as at 31 December 2024. The period of use ranging from 4 to 32 years when the said vessel becomes inactive after being purchased and all the aforesaid vessels had been handed over for repair works. Although a period of 1½ to 3 years had elapsed since the handover for repairs by the end of the year under review, the repair works had not been finished.	All details of the 05 ships and vessels owned by the Coast Guard Department as at 31 December 2024 are correct and out of the 05 vessels (CG 103, CG 203, CG 204, CG 403 and CG 405), 02 vessels (CG 203 and CG 204) have been restored by now to operational condition after repairs and since the CG 403 vessel is expensive to repair, it has been ordered to be made suitable.	Actions should be taken to urgently repair the two inactive vessels and urgent actions should be taken for the proposed vessel to be made suitable.
(b) The CG 408 naval vessel owned by the Sri Lanka Coast Guard Department had been in a state of disposal for a period of 03 years and 04 month as at 31 December 2024 .	Since it costs a lot of money for the repair of the CG 408 vessel owned by the Department, although the bids were opened on 14 March 2025 to make suitable it and sell it through a Tender Board, the suppliers had not submitted prices for that. Therefore, arrangements have been made for re-bidding. Accordingly, the Department of Coast Guard will take steps to dispose the vessel the CG 408 in the future.	Appropriate actions should be taken promptly to remove the CG 408 vessel.
(c) Although the cab registered in 2008 with WP KG 5476 and the cab registered in 2014 with WP PF 5410 are not in a condition suitable for driving by 31	The vehicles WP KG 5476 and WP PF 5410 were handed over to the Department of Coast Guard by the Ministry of Defense	Actions should be taken to formally take over ownership and carry out repairs promptly.

December 2024, the acquisition of ownership and repair works had not been taken place during the year under review.

on 24 December 2024 and the necessary approval along with the necessary documents to take over the said vehicles has been granted by the letter No. MOD/ADM/TRA/01/02/12 dated 23 January 2025 of the Secretary to the Ministry of Defense. Since those vehicles had not been in a proper condition for driving for a long time, arrangements have been made to carry out the necessary repairs after registering the two vehicles in the name of the Director General of the Department.

4.5 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The expected procurement activities for a period of at least 03 years should be listed in the Master Procurement Plan in accordance with Sections 4.2.1 (b) and (c) of the Government Procurement Guidelines, 2006 and although the procurement activities for the next coming year should be prepared in detail, The Procurement Plan submitted for audit was prepared only up to 31 October 2024 and although a document should be prepared that describes the steps of each procurement process in a chronological manner from the starting time of the procurement to its completion, in accordance	The Procurement Plan has been prepared only up to 31 October 2024 not only to avoid various problems that arise during the process of starting purchase files and carrying out procurement activities, with the aim of systematically completing the process of settling all bills that were not settled by 15 December and to resolve practical issues that may arise in settling bills in a short period of time if the files for the purchase are opened in November or December. According to the document that describes the	In the preparation of Procurement Plan, it should be prepared in accordance with the Guidelines.

with Paragraph 04 and Guideline No. 13 of Public Finance Circular No. 02/2020 dated 28 August 2020 and in accordance with clauses 4.2.2. (a) and (b) of the Government Procurement Guidelines, it had not been so done.

procurement process in a chronological manner, including the steps, all procurement activities were carried out from 01 January 2024 to 31 December 2024 and all procurement activities will be carried out from 01 January 2025 according to the document that chronologically describes the steps of the procurement actions prepared for the year 2025 in accordance with the Guidelines 2024 .

- (b) Although the orders had been issued to suppliers in relation to 19 procurements with a total value of Rs. 12,893,403 made during the period 2021- 2024, it was observed that the relevant suppliers had defaulted the supplies due to insufficient stocks and rising market prices. Similarly, it was observed that the aforesaid expenses had become an unnecessary expenses due to the inability to cover the expenses incurred up to the time of placing the orders in this regard.

Attention was drawn to the defaulting of procurement activities exceeding Rs. 100,000 by suppliers related to procurements carried out during the period from 2021 to 2024 and it seems that the Department will only obtain performance bonds for bids exceeding Rs. 05 million, and there are no bids exceeding Rs. 05 million. Therefore, it has been informed that the appropriate actions will be taken against the relevant suppliers after obtaining approval from the Procurement Committee (DPC) for such situations that may arise in the future.

Proper steps should be taken in respect of defaulting of supplies pertaining to procurement by the suppliers.

4.6 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Even though approval had been granted by the Decision of Cabinet of Ministers dated 08 November 2016 for the Memorandum of Cabinet of Ministers Paper No. 16/2249/703/093 to repeal the Sri Lanka Coast Guard Department Act No. 41 of 2009 and formulate a new Act, actions had not been taken to repeal the said Act and formulate a new Act even by 31 December 2024 .</p>	<p>Even though the approval had been given by the decision of Cabinet of Ministers to repeal the Coast Guard Department Act and draft a new Act, the works of repealing the new bill has not been completed yet. The drafting of the bill has been carrying out for a long period of time and the facts have been presented by the Department of Coast Guard to the Ministry of Defense on 15 September 2023 that it was extremely necessary to draft that bill.</p>	<p>Actions should be taken promptly to draft a new bill according to the decision of the Cabinet of Ministers.</p>