

Civil Aviation Authority of Sri Lanka - 2010

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Civil Aviation Authority of Sri Lanka had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards, give a true and fair view of the state of affairs of the Civil Aviation Authority of Sri Lanka as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1:2 Comments on Financial Statements

1.2.1 Sri Lanka Accounting Standards

The following non-compliances were observed.

(a) Sri Lanka Accounting Standard - 03

- (i) The investments had not been separately disclosed on the face of the balance sheet.

- (ii) Even though the current assets and current liabilities should be disclosed under several classifications in the financial statements, the Authority had disclosed all the current assets and current liabilities without being classified accordingly.

1.2.2 Unreconciled Control Accounts

According to the financial statements the value of furniture and fixtures totalled Rs.30,356,713 whereas according to the schedules, that value totalled Rs.27,574,955 and as such a difference of Rs.2,781,758 was observed.

1.2.3 Accounts Receivable and Payable

- (a) A sum of Rs.132,268,342 remained outstanding as at the end of the year under review in relation to the accounts receivable and out of that a sum of Rs.11,705,974 remained outstanding for over one year. Similarly, a sum of Rs.348,162,618 relating to the accounts payable remained outstanding as at the end of the year under review and out of that, a sum of Rs.203,664,853 remained without being settled for over one year.
- (b) The Confirmations of balances of Rs.59,062,370 relating to 25 accounts receivable and payables amounting to Rs.67,326,542 relating to 42 accounts had not been submitted to audit.

1.2.4 Non – compliance with Laws, Rules, Regulations and Management Decisions

Non – compliances with the following laws, rules, regulations etc. were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non - compliance
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(a) Stamp Duty (Special Provisions) Act, No.12 of 2006	It was observed during a test check, that action had not been taken to recover stamp duty amounting to Rs.2,175 in 89 instances of payments.

- (b) Financial Regulation 104 Even though a loss of Rs.842,632 had been caused due to an accident to a motor vehicle, no action had been taken on the losses and damage in terms of Financial Regulation 104.
- (c) Public Administration Circular No.26/92 of 19 August 1992 The State Emblem and the name of the Authority had not been stencilled all on the motor vehicles of the Authority other than the Government Motor Vehicles allocated to the officers who are entitled to use Government Motor vehicles for private purposes.

2. Financial and Operating Review

2:1 Financial Review

2.1.1 Financial Results

According to the financial statements presented, the operations for the year under review had resulted in a pre-tax profit of Rs.349,904,721 as compared with the pre-tax profit of Rs.307,973,373 for the preceding year, thus indicating an increase of Rs.41,931,348 in the financial results. The increase in the operating income and the income from the supply of services had resulted in the increase in the financial result.

2:1:2 Analytical Financial Review

The income for the year under review as compared with the preceding year, had increased by 18.63 per cent and while the recurrent expenditure had increased by 28.77 per cent. The pre-tax operating profit for the year under review as well had increased by 13.61 per cent.

2.1.3 Transactions of Contentious Nature

The following matters were observed.

- (a) Despite obtaining a Personal Accident Insurance Policy at a cost of Rs.179,322 for the employees of the Authority for the period 01 January 2010 to 31 December 2010, a further Personal Accident Insurance Policy had been obtained from another insurance company for the period 17 August 2010 to 01 August 2011 at a cost of Rs.72,860.
- (b) The balance of the Value Added Tax receivable as at the beginning of the year under review amounting to Rs.11,578,000 had increased to Rs.14,434,077 by the end of the year under review. Nevertheless, there was no confirmation that such a sum of money was receivable from the Department of Inland Revenue to the Authority.

2:2 Operating Review

2:2:1 Performance

According to the following performance indicators, the performance for the year 2010 as compared with the preceding year indicated a decrease.

Item	Particulars	2008	2009	2010
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(a) Aircraft Movements	(i) Charter Flights	1,024	1,057	1,317
	(ii) Regular Air Transport			
	Companies- Flights	30,621	27,545	32,590

(b) Completed Audit Programmes	(i) Operations	02	01	01
	(ii) Combined (Operations and Airworthiness)	01	-	-
	(iii) Air Navigation Services	01	01	-
(c) Safe / Secure and Supervision Activities performed.	(i) Ramp Inspections (Airworthiness)	23	72	30
	(ii) Ramp Inspections (Combined)	02	-	-
	(iii) Air Navigation	09	10	09
	(iv) Dangerous Goods	-	19	08

2.2.2 Service Charges

The charges levied by the Authority for various services such as issue of Airline Pilot Licences and high rise buildings, etc. have not been revised during the past 06 years. Thus it was observed that the Authority does not receive a charge commensurate with the expenditure incurred on the supply of such services.

2.2.3 Uneconomic Transactions

Even though Authority had procured a building belonging to a Corporation on rent basis for the conduct of courses, only 01 course of 03 months duration for 20 persons had been conducted in the year under review. The expenditure incurred thereon amounted to Rs.972,593 while the income received from the conduct of the course amounted to Rs.384,136. Thus the Authority had incurred a loss of Rs.588,457.

2:2:4 Budgetary Control

Variances ranging from 75 per cent to 165 per cent were observed between the estimates and the actual income and expenditure for the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

3. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

- (a) Collection of Income
- (b) Expenditure Management
- (c) Licence Fees