

Head 103 - Report of the Auditor General relating to the Ministry of Defence and Urban Development and the Departments under the Ministry – Year 2012

This report consists of 2 parts.

- Part I - Summary report relating to the Ministry and the Departments under the Ministry.
Part II - Detailed report relating to each Appropriation Head

Part I

Summary report on the Accounts of the Ministry of Defence and Urban Development and the Departments under the Ministry

1. Departments under the Ministry

Head	Name of the Department
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222	Sri Lanka Army
223	Sri Lanka Navy
224	Sri Lanka Air Force
225	Department of Police
226	Department of Immigration and Emigration
227	Department of Registration of Persons
291	Department of Coast Conservation
320	Department of Civil Security
325	Department of Coast Guard of Sri Lanka

2. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

The total net provision made for the Ministry and 09 Departments under the Ministry amounted to Rs.244,205,807,595 and out of that a sum of Rs.238,572,848,634 had been utilized by the end of the year under review. Therefore, the savings out of the net provisions of the Ministry and the Departments ranged between Rs.11,114,396 and Rs.4,475,173,744 or 1.001 per cent and 33.69 per cent of the total net provision. Details appear below.

Head	Ministry/ Department	Net Provision as at 31 December 2012		Utilization as at 31 December 2012		Savings as at 31 December 2012	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
103	Ministry of Defence and Urban Development	6,968,085,000	8,329,590,000	6,658,402,799	4,164,098,457	309,682,201	4,165,491,543
222	Sri Lanka Army	114,298,350,000	3,819,416,000	114,286,778,619	3,817,081,187	11,571,381	2,334,813
223	Sri Lanka Navy	33,208,492,753	4,796,860,000	33,020,787,087	4,742,919,479	187,705,666	53,940,521
224	Sri Lanka Air Force	21,050,975,000	3,649,703,842	20,983,577,120	3,247,441,757	67,397,880	402,262,085
225	Department of Police	35,768,000,000	1,067,000,000	35,609,094,692	1,008,268,879	158,905,308	58,731,121
226	Department of Immigration and Emigration	608,050,000	86,950,000	598,655,538	85,230,066	9,394,462	1,719,934
227	Department of Registration of Persons	204,540,000	47,050,000	175,212,890	45,520,951	29,327,110	4,529,049
291	Department of Coast Conservation	138,010,000	770,000,000	137,848,105	644,766,113	161,895	125,233,887
320	Department of Civil Security	9,258,745,000	59,700,000	9,245,633,317	53,942,117	13,111,683	5,757,883
325	Department of Coast Guard of Sri Lanka	29,640,000	46,650,000	26,731,069	23,858,392	2,908,931	22,791,608
	Total	<u>221,532,887,753</u>	<u>22,672,919,842</u>	<u>220,742,721,236</u>	<u>17,830,127,398</u>	<u>790,166,517</u>	<u>4,842,792,444</u>

(b) Utilization of Provisions made available by other Ministries and Departments

Provisions totalling Rs.265,650,475 had been made available as shown below by other Ministries/ Departments for various purposes and the particulars of utilization of such provisions are given below.

Ministry / Department	Provisions Received	Utilization	Savings (as at 31 December 2012)	Observations on savings in brief
	Rs.	Rs.	Rs.	
Ministry of Education	201,670,475	177,697,176	23,973,299	Non-receiving of imprests adequately and non-receiving bills.
Ministry of Economic Development	30,980,000	20,089,898	10,890,102	- do -
Ministry of Buddha Sasana and Religious Affairs	25,000,000	--	25,000,000	Receiving Provisions at the end of the year
Ministry of Transport	8,000,000	6,823,658	1,176,342	Non-receiving Bills
Total	265,650,475	204,610,732	61,039,463	

2.2 Revenue Accounts

Estimated and Actual Revenue

Revenue amounting to Rs.5,893,950,000 had been estimated under 04 Revenue Codes for the year 2012 by the Ministry while a sum of Rs.6,457,977,191 had been collected as revenue. Therefore, revenue of 109.57 per cent of the estimated revenue had been collected. Details appear below.

Revenue Accounting Officer	Revenue Code	Estimated Revenue	Actual Revenue	Excess (Shortfall) of Collection	Collected Revenue as a Percentage of Estimated Revenue
-----	-----	-----	-----	-----	-----
		Rs.	Rs.	Rs.	%
Secretary to the Ministry of Defence and Urban Development	10-03-02-05	12,250,000	11,611,124	(638,876)	94.78
Air Marshal	20-03-02-16	190,000,000	164,876,444	(25,123,556)	86.78
Controller General of Immigration and Emigration	20-03-02-07	5,622,500,000	6,197,728,729	575,228,729	110.23
Commissioner General of Registration of Persons	20-03-02-03	69,200,000	83,760,894	14,560,894	121.04
Total		<u>5,893,950,000</u>	<u>6,457,977,191</u>	<u>564,027,191</u>	109.57

2.3 Advance Accounts

2.3.1 Advances to Public Officers Account

(a) Limits Authorized by Parliament

The Ministry and 08 Departments under the Ministry had complied with the following limits on the Advances to Public Officers Accounts authorized by Parliament.

Head	Item Number	Expenditure		Receipts		Debit Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----	-----	-----
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
103	10301	250,000,000	11,190,000	113,000,000	131,842,000	650,000,000	373,591,963
222	22201	2,135,000,000	1,454,431,929	1,750,000,000	1,769,144,045	4,250,000,000	2,654,241,082
223	22301	590,000,000	346,170,525	340,000,000	394,751,911	1,000,000,000	550,122,841
224	22401	500,000,000	334,360,110	440,000,000	444,527,757	1,802,000,000	728,967,498
225	22501	1,585,000,000	1,087,170,194	1,000,000,000	1,348,558,680	5,000,000,000	2,774,362,108
226	22601	25,000,000	22,405,999	19,000,000	25,815,252	154,000,000	120,167,682
227	22701	25,000,000	15,140,122	15,000,000	20,975,140	95,000,000	43,052,808
291	29101	15,000,000	8,205,822	8,000,000	10,396,023	66,900,000	39,784,895
320	32001	170,000,000	159,476,252	155,000,000	159,581,714	150,000,000	6,066,563

2.3.2 Commercial Advance Accounts

One Department under the Ministry had maintained 01 Commercial Advance Account.

(a) Limits Authorized by Parliament

The following limits authorized by Parliament for 01 Commercial Advance Account had been complied with.

Head	Item Number	Expenditure		Receipts		Debit Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
223	22302	550,000,000	531,396,869	525,000,000	549,221,761	550,000,000	36,676,133

(b) Financial Results

Financial Results of the Commercial Advance Account are as follows.

Department	Item Number	Advance Account Activity	Financial Results			
			2012		2011	
			Profit Without Hypothetical Charges	Profit With Hypothetical Charges	Profit Without Hypothetical Charges	Profit With Hypothetical Charges
			Rs.	Rs.	Rs.	Rs.
Sri Lanka Navy	22302	Sales of Gun Powder	124,278,407	100,441,226	123,285,298	101,615,133

2.4 Imprest and General Deposit Accounts

(a) Imprest Accounts

The debit balances of the Imprest Accounts of the Ministry and 07 Departments under the Ministry as at 31 December 2012 totalled Rs.29,600,861,835. Details appear below.

Ministry / Department -----	Debit Balance as at 31 December 2012 -----
	Rs.
Ministry of Defence and Urban Development	20,527,173,852
Sri Lanka Army	6,728,479,076
Sri Lanka Navy	646,711,593
Sri Lanka Air Force	1,639,163,584
Department of Police	22,247,327
Department of Coast Conservation	378,713
Department of Civil Security	36,518,363
Department of Coast Guard of Sri Lanka	189,327

Total	29,600,861,835 =====

(b) General Deposit Accounts

The balances of the General Deposit Accounts of the Ministry and 09 Departments under the Ministry as at 31 December 2012 totalled Rs.6,783,111,939 and the particulars thereon are given below.

Ministry / Department -----	Account Number -----	Balance as at 31 December 2012 -----
		Rs.
Ministry of Defence and Urban Development	6000/0000/00/0011/0555/000	4,675,280
	6000/0000/00/0015/0017/000	1,015,993,820
Sri Lanka Army	6000/0000/00/0015/0103/000	198,855,565
	6000/0000/00/0011/0583/000	5,220,208
	6000/0000/00/0007/0039/000	5,000,000,000
Sri Lanka Navy	6000/0000/00/0001/0012/000	36,500
	6000/0000/00/0002/0013/000	3,974,486
	6000/0000/00/0015/0104/000	216,093,418
	6000/0000/00/0011/0584/000	1,743,436
Sri Lanka Air Force	6000/0000/00/0015/0105/000	63,641,018

Department of Police	6000/0000/00/0011/0586/000	16,154,891
	6000/0000/00/0015/0106/000	167,109,562
Department of Immigration and Emigration	6000/0000/00/0015/0107/000	1,669,284
	6000/0000/00/0011/0587/000	9,134,495
Department of Registration of Persons	6000/0000/00/0015/0108/000	5,350,482
	6000/0000/00/0001/0015/000	7,908
Department of Coast Conservation	6000/0000/00/0003/0024/000	9,342,589
	6000/0000/00/0003/0146/000	24,422,559
Department of Civil Security	6000/0000/00/0015/0166/000	39,598,023
Department of Coast Guard of Sri Lanka	6000/0000/00/0015/0171/000	88,415

Total		<u>6,783,111,939</u>

Part II

Detailed Report relating to each Appropriation Head

1. Head 103 - Ministry of Defence and Urban Development

1:1 Scope of Audit

The audit of the Appropriation Account and Revenue Account including the financial reports, reconciliation statements, books, registers and other records of the Ministry of Defence and Urban Development for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 28 October 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and reconciliation statements in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1.3 Audit Observations

According to the Financial Reports and the Books for the year ended 31 December 2012, it was observed that except for the general observations appearing at (a) to (f) and the other major audit findings appearing in paragraphs 1.4 to 1.10 herein, the Appropriation Account, Revenue Accounts and Reconciliation Statements of the Ministry of Defence and Urban Development have been prepared satisfactorily.

(a) Presentation of Accounts

The account of the National Defence Fund that should be presented to audit by 31 March 2013 by the Ministry of Defence and Urban Development had been presented to audit on 26 June 2013 with a delay of 03 months.

(b) Non-maintenance of Registers and Books

The Ministry had not maintained the following registers.

Type of Register	Relevant Regulation
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Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978
Register of Fixed Assets on Computers Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002

(c) Imprest Account

- (i) A sum of Rs.19,817,306 000 received on behalf of the state land which given to two foreign companies for the development of hotel industry, had been retained in the imprest account of the Ministry without being remitting to the Treasury for credit of the Consolidated Fund, in terms of the Article 149 of the Constitution of the Democratic Socialist Republic of Sri Lanka. That amount had been invested by the Ministry and earned an interest aggregating Rs.2,902,248,499 comprising interest of

Rs.800,031,971 and Rs.2,102,216,528 in the years 2011 and 2012 respectively. Provisions of Rs.800,000,000 had been made by Parliament comprising Rs.100,000,000 and Rs.700,000,000 for the years 2011 and 2012 respectively for the constructions of the Ministry Building at Akuregoda and the provisions had been exceeded by Rs.236,525,195 and Rs.1,155,855,452 respectively and the excess amount of Rs.2,192,380,647 had been utilized out of the funds received from the sale of the land. Accordingly, after deducting the utilizations in the years 2011 and 2012 the balance from the land sale and the interest from the investment had been Rs.20,527,173,852 as at 31 December 2012. Contrary to the Treasury Operations Circular No. 05/2012 dated 20 November 2012 the imprest balance of Rs.20,527,173,852 as at 31 December 2012 had not been remitted to the Treasury. The Transfer paper prepared by the Chief Accountant of the Ministry to utilize this imprest balance for the payments for the year 2013, and submitted to the Treasury had been approved on 01 February 2013 by the Assistant Director of Department of Treasury Operations contrary to the instructions of the Director General of Department of Treasury Operations. As such a sum of Rs.336,525,195 and Rs.1,855,855,452 had been utilized by the Ministry exceeding the provisions authorized by Parliament in the years 2011 and 2012 respectively for the constructions of Ministry Building at Akuregoda.

(d) General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 03 balances of deposits amounting to Rs.493,380 older than 02 years.

(e) Revenue Account

The following observations are made.

- (i) According to the Revenue Account presented revenue amounting to Rs.1,166,400 had been in arrear and that arrears of revenue relating to periods ranging from 1 year to 3 years. The follow up action on the recovery of such arrears had been at a weak position.

- (ii) In terms of paragraph (4)(b) of the Circular No 01/2002 of the Department of Fiscal Policy and Economic Affairs dated 17 July 2002 every revenue accounting officer should take action to recover arrears of revenue and should pay due attention to avoid collecting further arrears. Nevertheless an arrears of revenue amounting to Rs. 1,166,400 had been shown in the revenue account by the end of the year under review.
- (iii) In reporting the net income for each year in the books of the Ministry, the revenue relating to each year and the revenue collected from arrears of revenue relating to previous year had not been reported so as to identify separately and as such it was not possible to carry out an exact review by audit on the progress of collecting annual revenue and collecting arrears of revenue.

(f) Reconciliation Statements of Advances to Public officers Account

The following observations are made.

- (i) According to the Reconciliation statement of the Advances to public officers Account, item No. 10301, as at 31 December 2012 the balances that remained outstanding as at that date totalled Rs. 23,069,180 and the follow up action on the recovery of those outstanding balances had been at a weak position.
- (ii) Four names of the officers who were not in the service of the Ministry had been erroneously included in the list of Individual balances in view to show the similarity of the balances of the Advances to Public Officers Account according to Ministry Books with the balances of Treasury Books and as such loan balance shown according to the Departmental books had been overstated by Rs. 476,168.
- (iii) Even though loan balance of an officer who transferred out on station transfers should be settled within 03 months of the transfer through monthly summaries in terms of the Budget Circular No. 118 of 11 October 2004, action had not been taken to settle the loan balances amounting to Rs. 1,766,941 receivable from 24 officers who transferred out since the year 2005 to 2012.

- (iv) One thousand eighty eight non – moving outstanding loan balances amounting to Rs. 16,820,782 had existed as at 31 December 2012.
- (v) Loan balances of 803 officers amounting to Rs.13,618,706 outstanding for over 5 years which could not be recovered due to station of transfers, deceased and retired, dismissed, vacated of posts and other reasons had not been recovered.

1.4 Good Governance and Accountability

1.4.1 Corporate Plan

Even though the Ministry should have prepared a Corporate Plan at least for a period of 03 years from the year 2010 onwards at the beginning of the year in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and Heads of Local Authorities, such plan had not been prepared even by 31 December 2012.

1.4.2 Annual Action Plan

Even though an Annual Action plan for the year 2010 and further period should have been prepared in accordance with the Corporate Plan prepared in terms of the letter of the Director General of Public Finance as referred to in paragraph 1.4.1 above, the Annual Action plan for the year under review had not been prepared even by 31 December 2012.

1.4.3 Annual Performance Report

In terms of the Public Finance Circulars No. 402 dated 12 September 2002 and 402(i) dated 20 February 2004 referred to in the letter of the Director General of Public Finance referred to in paragraph 1.4.1 above, the Annual performance Report to be prepared within 150 days after closure of the financial year by the Ministry should be tabled in Parliament with a copy to the Auditor General. Nevertheless the Performance Report for the year under review had not been tabled in Parliament even by 30 November 2013.

1.4.4 Annual Procurement Plan

The Annual Procurement plan had not been prepared in terms of the National Budget Circular No. 128 of 24 March 2006 even by 31 December 2012.

1.5 Non – Compliances

Non – Compliance with Laws, Rules and Regulations etc.

Instances of non-compliance with the provisions of laws, rules and regulations observed during audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non – compliance
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	Rs.	
Financial Regulations of Democratic Socialist Republic of Sri Lanka		

Financial Regulation 104(1)	115,000	<p>It was revealed in September 2012 that the C.P.U used for imaging machines had misplaced. However, the appointment of investigation Board for conducting investigations thereon had been delayed up to January 2013.</p> <p>When a loss or a damage occurred, the inquiries should be commenced to ascertain its amounts and the reasons specifically and to determine the responsible parties. Nevertheless, it was observed that investigation Board had been appointed and the reports were made available after 07 months of the accidents of 02 vehicles of the Ministry.</p>

Financial Regulation 218(2)	843,924	In every instance except the instances as provided in the regulations, claims arising within a financial year should as far as possible be settled within the same year. However, the Ministry had paid a sum of Rs. 843,924 as interest to the Ceylon Electricity Board in paying outstanding bills during the year under review.
Financial Regulations 756,757,1647(b)	-	The Boards of surveys in respect of the vehicles of the Ministry for the year 2012 and preceding years had not been conducted.

1.6 Lack of Evidence for Audit

Timber purchased by incurring a sum of Rs.3,291,209 to make school furniture required for Defence Services College by the Ministry of Defence and Urban Development, had been given to 6th Regiment of Engineering Services. The particulars of the furniture made by that Regiment and the information regarding hand over of furniture to the College had not been furnished to audit and as such it could not be ascertained that the furniture purchased had been utilized for that purpose.

1:7 Irregular Transactions

Deviation from the Procedure laid down in the Procurement Guidelines

The following observations are made in respect of the procurements for the project of Construction of Head office Building of Ministry of Defence and Urban Development and Head quarters for Three Corps

- (a) Goods and services valued at Rs.44,371,865 had been obtained in 03 instances by the project before taking the decisions by the Technical Evaluation Committee and the Procurement Committee in contrary to the Procurement Guidelines .

- (b) Goods amounting to Rs.22,608,182 had been purchased in 09 instances under Shopping Procedure. Even though minimum of 07 days should have been allowed to suppliers for offering bids in terms of the Guidelines 6.2.2 of the Government Procurement Guidelines, the minimum period allowed ranged from 03 days to 06 days. Accordingly, a reasonable bidding period had not been given for suppliers to prepare bids and as such it was limited for opportunities to obtain competitive bids.
- (c) Under National Competitive Bidding Procedure bids had been invited by publishing in newspapers and goods amounting to Rs.195,207,320 had been purchased in 05 instances. Minimum period of bidding time ranged from 09 days to 11 days only had been given thereof. Even though minimum period of 21 days of bidding time should be given to suppliers for submission of bids in terms of Guideline 6.2.2 of Procurement Guidelines, action had not been taken accordingly.
- (d) Even though the bidding documents should be made available to bidders up to one day prior to deadline of submission of bids, in terms of the guidelines 6.1.1 (a) of the Government Procurement Guidelines, it was observed in audit that only 04 days period had been allowed to bidders to obtain bidding documents in 05 instances in which the bids invited under National Competitive Bidding Procedure

1.8 Transactions of Fraudulent Nature

Sixty Eight door handles had been purchased at the rate of Rs.14,800 per door handle on 08 April 2011, for the refurbishments of the Ministry of Defence and Urban Development. After an audit query made in respect of these goods retained idling in the stores of the Ministry without being used for the requirement, such stock of door handles had been given as a donation to the construction works of the Defence Services College on 18 June 2012. At the audit examination carried out in the Defence Services College on 18 January 2013, it was observed that the above stock of door handles had been kept in the stores of the 6 Regiment of Engineering Services Department without being utilized for any purpose. At the physical examination it was observed that those door handles purchased could not be fixed for any of the door. According to the market price of such type of door handles as at 06 February 2013, it was observed that such type of door handles could have been purchased at the rate of Rs. 2,500 per door handle with a 10 per cent discount.

Accordingly about a sum of Rs. 853,400 had been overpaid in purchasing of above 68 door handles at the rate of Rs. 12,550 per door handle and as such the whole amount of Rs. 1,006,400 incurred by the Ministry was a loss to the Consolidated Fund. Action had not been taken to recover the above loss from the responsible officers.

1.9 Losses and Damage

A sum of Rs. 65,396 only had been paid by the Insurance Company as indemnity out of the sum of Rs. 192,280 spent for repairs of a cab met with an accident on 16 August 2011, due to the vehicle had been insured at a lesser amount of Rs. 800,000 instead of at the average market price of about Rs. 2,200,000. The Investigation Board had recommended to recover ten per cent of the balance sum from the driver, and write off of the loss amounting to Rs. 114,195. As the vehicle had not been insured at the average market price, the opportunity to obtain entire loss as indemnity had been deprived.

1.10 Management Weaknesses

The following weaknesses were observed during audit test checks.

- (a) Furniture and office Equipment costing Rs. 5,832,984 purchased in the year 2011 for the use of Defence Services College were remained idle in the stores without being utilized approximately for the period of 02 years. The stocks amounting to Rs.1,369,515 out of the above furniture and office equipment had not been utilized for any purpose of the college since the date received to the stores even up to 15 January 2013.
- (b) Three High Storage Cabinets amounting to Rs. 189,000 had been handed over to the stores of the Defence Services College on 01 June 2012. It was observed at the physical examination carried out on 15 January 2013, that the key locks of 03 Cabinets were removed, but the Ministry had not taken any action thereon.

- (c) It was ordered to a selected institution for purchasing of 120 steel cupboards with 04 drawers and with keys for the third premises of Defence Services College by spending Rs. 3,024,000 at the rate of Rs. 25,200 each. Forty steel cupboards which connected by 03 cupboards and with 4 drawers had been supplied by that institution contrary to the specifications. Even though it should have been rejected accordingly, the goods had been taken over and the amount mentioned in the requisition order had been paid. Disciplinary action had not been taken for the officers who had taken over the goods and the payments made.
- (d) Most of the Inventory Registers maintained by the Urban Development Section of the Ministry of Defence and Urban Development had been altered by using tip.pex contrary to the provisions of the regulations and issues of several inventory goods had been shown over the receipts. Even though the Inventory Register should have been updated by the elimination of 57 items of goods disposed of and 64 items of goods sold at the auction, it had not been so done.
- (e) Same type of goods had been purchased as parts in the several nearing dates with the intention to avoid the exceeding of payment approval limit of Rs.75,000 authorized to the Director of National Cadet Corps under Delegation of Financial Authority for 2012 of the Ministry of Defence and Urban Development and payments had been made by several bills. Audit test checks revealed that 04 such instances of purchasing sleeping bags, tyre and tubes, cauldrons and ceramic tiles at a total value of Rs.1,090,742 were made. It was observed in audit that the possible trade discounts had been deprived as purchases were made as parts for same good and an unnecessary cost had to be incurred due to regular quotations made for same type of good and for relevant documentation.
- (f) An interest of Rs.21,290 had been paid to Ceylon Electricity Board due to non-payment of bills at due dates for the period of February to April 2012 in respect of 02 power supplies obtained for the Project of Construction of Head Quarters of Defence and three Corps.
- (g) In the examination of staff turnover of the Ministry it was observed that substantial amount of employees who received appointments and came on station transfers, had retained in the Ministry for a long period. Even though it was implemented a methodology within the public administration in respect of transferring of employees among the Ministries who completed 05 years service in same place of Government Ministries and Departments, Government employees with a service more than 30, 20, 10 and 7 years had been deployed continuously in the service of the Ministry of Defence and Urban Development.

2. Head 222 - Sri Lanka Army

2:1 Scope of Audit

The audit of the Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the Sri Lanka Army for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Army Commander on 05 September 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2.2 Responsibility of the Chief Accounting Officer and Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2.3 Audit Observation

According to the financial reports and the books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (c) and the other major audit findings appearing in paragraphs 2.4 to 2.8 herein, the Appropriation Account and the Reconciliation Statements of the Sri Lanka Army have been prepared satisfactorily.

(a) Imprest Account

The imprest balances of the Sri Lanka Army as at 31 December 2012 that remained without being settled by 30 April 2013 totalled Rs.6,527,029,579.

(b) General Deposit Account

The following observations are made.

- (i) A sum of Rs.40,404,136 received from the sale of damaged brazen articles had been retained in the General Deposit Account without being credited to the State revenue.
- (ii) A sum of Rs.33,625,870 saved from the funds received for the Leadership Training of the University Students from the Ministry of Higher Education had been retained in the General Deposit Account without taking action to credit the State revenue.

(c) Reconciliation Statement of Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account, Item No.22201 as at 31 December 2012 the balances that remained outstanding as at 31 December 2012 totalled Rs.379,418,157 and the follow up action on the recovery of those outstanding balances had been at a weak level.

2:4 Good Governance and Accountability

2:4:1 Corporate Plan

Even though a Corporate Plan should have been prepared at least for a period of 3 years from the year 2010 and onwards at the beginning of the year by the Sri Lanka Army in terms of the letter No. PF/R/2/2/3/5(4) of the Director General of Public Finance dated 10 March 2010 addressed to all Secretaries of Ministries, Chief Secretaries of Provincial Councils, Heads of Departments District Secretaries and the Heads of Local Authorities, such plan had not been prepared even by 31 December 2012.

2:5 Assets Management

(a) Idle and Underutilized Assets

It was observed during audit test checks that 44 vehicles in which total value of Rs.70,004,202 had remained idle.

(b) Unsettled Liabilities

The unsettled liabilities of the Sri Lanka Army as at 31 December 2012 amounted to Rs.17,753, 718,642 and an age analysis thereon had not been furnished. The position of the settlement of those balances had been at an unsatisfactory level.

2:6 Non – compliances

Non – compliances with Laws, Rules and Regulations, etc.

Instances of non – compliance with the provisions of laws, rules and regulations observed during audit test checks are analyzed below.

Reference to Laws, Rules and Regulations -----	Value ----- Rs.	Non - compliance -----
(i) Statutory Provisions -----		
Employees Provident Fund Act No. 26 of 1981	816,365	The contribution recovered from the employees had been retained in the General Deposit Account without taking action to remit the Employees Provident Fund.

(ii) Financial Regulations of
the Democratic Socialist
Republic of Sri Lanka

Financial Regulation 94	17,745,375,888	The liabilities had been incurred exceeding the savings after the utilization of provisions made for 42 Objects.
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Financial Regulation 115	2,795,031	Even though the claims should be settled within the same year in which they submitted, the payments for the purchases relating to the years 1994, and 1999 had been settled even in the year 2012 and the approval of the Secretary to the Ministry had not been obtained thereon.
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Financial Regulation 137(5)	1,914,595	Payments had been made for goods supplied without confirming that they were examined and taken on correctly.
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Financial Regulation 429	--	Even though the accounts should be finally closed at the end of the each financial year, and the balances should be settled to the Department of Treasury Operations the balances of two accounts amounting to Rs.6,361,050,637 and USD 14,144,107 had not been settled accordingly.
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(c) National Budget
Circulars

Paragraph 6 of the Circular No. 156 of 16 February 2012	432,578	When entertainment expenses made by Public Funds such expenditure should directly appropriate to achieve the objectives of the Department. Nevertheless, such expenditure had been made for the activities of officers and their entertainment.
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2:7 Transactions of Contentious Nature

Certain transactions carried out by the Sri Lanka Army were of contentious nature. Particulars of several such transactions revealed at test checks are given below.

- (a) A sum of Rs.915,095 had been reimbursed from the state funds on 03 February 2012 by producing forged documents stating that the books had been purchased for the Library of Defence Head Quarters (East) from the account of the President of Regiment Institute.
- (b) Even though a sum of Rs.999,500 had been paid to a private institution on 28 December 2011 for purchasing books by the Minneriya Artillery Training School no any of the books received by the library as at that date.
- (c) A sum of Rs.2,278,972 had been paid by a cheque of other private institution for purchasing of pre-cast concrete for the constructions of the five storied building in Rock House Camp, Modara.

2:8 Irregular Transactions

Certain transactions entered into by the Sri Lanka Army were devoid of regularity. Several such instances observed are given below.

- (a) Transactions without Authority

In purchasing books for the Library of the Defence Corps Head Quarters (East) books valued at Rs.559,933 had been purchased on 16 February 2012, without purchasing from the institutions selected by the Procurement Committee.

(b) Losses and Damage

The observations on losses and damage revealed during audit test checks are given below.

- (i) Due to delay in payment of rates the warrant charges amounting to Rs.474,845 had been paid to the Moratuwa Municipal Council.
- (ii) Action had not been taken to make, enquires and either to recover from relevant persons or to write off the losses and damage amounting to Rs.1,187.9 million in respect of 104 incidents older than 10 years.

(c) Uneconomic Transactions

The possible discounts which could have been obtained from 12 per cent to 10 per cent had been deprived as the appropriate Government Procurement Guidelines had not been followed in purchasing books for the Library of Defence Corps Heads Quarters (East).

3. Head 223 – Sri Lanka Navy

3.1 Scope of Audit

The audit of the Appropriation Account including the financial reports, reconciliation statements, books, registers and other reports of the Sri Lanka Navy for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Navy Commander on 31 October 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

3:2 Responsibilities of the Chief Accounting Officer and Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

3:3 Audit Observation

According to the Financial Reports and the Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (d) and the other major audit findings appearing in paragraphs 3.4 to 3.12 herein, the Appropriation Account and the Reconciliation Statements of the Sri Lanka Navy have been prepared satisfactorily.

(a) Presentation of Accounts

The Sri Lanka Navy had not presented the following accounts for audit by 31 March 2013.

Object Code	Name of the Account	Date Presented	Period of Delay
-----	-----	-----	-----
			Days
22301	Reconciliation Statement of Advances to Public Officers Account	29 April 2013	29
22302	Stores Advance Account	29 April 2013	29

(b) Imprest Account

The following observations are made.

- (i) The unsettled imprest balance of the Sri Lanka Navy as at 30 April 2013, amounted to Rs.646,711,593. Out of that a balance amounting to Rs.618,207,963 had remained since the year 2010.
- (ii) Even though the ad-hoc sub-imprest should be settled immediately after the purpose completed in terms of Financial Regulation 371, the sub imprests amounting to Rs.540,000 in 08 instances had been settled with the delays from 03 months to 09 months after completion of the purpose.
- (iii) Reconciliation Statement of Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account Item No. 22301 as at 31 December 2012, the balances that remained outstanding as at that date totalled Rs.14,635,704 and the follow up action on the recovery of those outstanding balances had been at a weak level.

3:4 Good Governance and Accountability

3:4:1 Corporate Plan

Even though a Corporate Plan should have been prepared at least for a period of 3 years from the year 2010 and onwards at the beginning of the year by the Sri Lanka Navy in terms of the letter No. PF/R/2/2/3/5(4) of the Director General of Public Finance dated 10 March 2010 addressed to all Secretaries of the Ministries, Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and Heads of the Local Authorities, such plan had not been prepared even by 31 December 2012.

3:4:2 Annual Action Plan

Even though an Annual Action Plan for the year 2010 and onwards should have been prepared by Sri Lanka Navy in accordance with the Corporate Plan prepared in terms of the letter of the Director General of Public Finance referred to in paragraph 3.4.1 above the Annual Action Plan for the year under review had not been prepared even by 31 December 2012.

3:4:3 Annual Performance Report

Even though the Annual Performance Report that should have been prepared by the Sri Lanka Navy in terms of the Public Finance Circulars No. 402 of 12 September 2002 and 402(i) of 20 February 2004 referred to in the letter of the Director General of Public Finance as referred to in paragraph 3.4.1 above should have been tabled in Parliament with a copy to the Auditor General within 150 days after the closure of the financial year. Nevertheless, the performance Report relevant to the year under review had not been tabled in Parliament even by 31 July 2013.

3:4:4 Annual Procurement Plan

The Annual Procurement Plan had not been prepared in terms of the National Budget Circular No. 128 of 24 March 2006 even by 31 December 2012.

3:4:5 Implementation of Audit and Management Committee

Even though the Audit and Management Committee should have been established and one meeting per quarter should be held in terms of the Management Audit Circular No. DMA/09/01 dated 09 June 2009, the meetings of Audit and Management Committee had been held only in 02 times during the year 2012.

3:5 Assets Management

Balances Receivable

The value of the balances receivable from external parties over 01 year and less than 05 years as at 31 December 2012 amounted to Rs.9,813,686 and the recovery of such balances remained at a weak position. Further, the payments had been made to suppliers by pre-pay remittances prior to the supplies completed of all goods/materials which ordered. As such the cases had to be filed against suppliers by the Sri Lanka Navy for the recovery of over payments made.

3.6 Non – compliances

(a) Non-compliance with Laws, Rules and Regulations etc.

Instances of non – compliance with the provisions of laws, rules and regulations observed during audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non - compliance
Financial Regulations of Democratic Socialist Republic of Sri Lanka	Rs.	
(i) Financial Regulation 210(1)	420,535	Water bills had not been paid so as to obtain discounts in every possible instance.

- (ii) Financial Regulation 3,394,185 Cash had been paid to suppliers in 08 instances prior to supply any of the goods.
257

3:7 Lack of Evidence for Audit

Eight vouchers in support of payments totalling Rs.17,585,308 relating to the year 2011 had not been furnished to audit.

3:8 Transactions of Contentious Nature

A sum of Rs.1,980,000 had been paid to the supplier for purchasing goods needed for constructions of the “Deyata Kirula Exhibition, contrary to the Financial Regulation 137(5) while the supplier had returned that money after 6 days to Sri Lanka Navy without making supplies of goods. Accordingly, Sri Lanka Navy had allowed to the supplier as for misappropriation of the state funds.

3:9 Irregular Transactions

Certain transactions entered into by Sri Lanka Navy were devoid of regularity. Several such instances observed are given below.

(a) Deviation from the Procedure laid down in the Procurement Guidelines

- (i) Action had been taken to purchase goods without having a Procurement Time Schedule and specifications of goods had not identified correctly in terms of the Guideline 4.2.2 of the National Procurement Guidelines and as such a loss of Rs.2,632,000 had incurred to the Consolidated Fund due to purchases of 1316 metres of Privacy Curtain required for the Navy Hospital Welisara had been made at the rate of Rs.12,500 per metre due to depriving the opportunity to make purchase for Rs.13,818,000 at the rate of Rs.10,500 per metre.

- (ii) Three hundred and fifty ceramic plates had been purchased from the supplier who offered higher price as per the approval of the Procurement Committee without taking action to purchase from the supplier who offered lowest price as per the recommendations of Technical Evaluation Committee and as such a loss of Rs.57,750 had incurred to the Government.
- (iii) Even though a Bid Security should be obtained to ensure that the bidder will sign the contract if the contract is awarded within the validity period of the bid in terms of the Guidelines 5.3.11 (b) iii of the National Procurement Guidelines, the action had not been taken to obtain Bid Security in purchasing of Air Conditioners valued at Rs.9,271,475.
- (iv) When take a decision to purchase goods from a single bidder in terms of the Guideline 7.12.2 of the National Procurement Guidelines, the Technical Evaluation Committee may negotiate with the bidder for a downward revision of the price if the price is high in comparison to market price. Nevertheless, action had not been taken as accordingly in purchasing DVD Duplicator valued at Rs.88,590.
- (v) Goods valued at Rs.635,459 had been purchased without preparing a Bid Evaluation Report, that should be prepared by the Technical Evaluation Committee in terms of the Guidelines 7.11 of the National Procurement Guidelines.

(b) Transactions without Authority

The transactions without authority revealed at audit test checks are given below.

- (i) The income earned from the Light House Restaurant during the period from 11 July 2011 to 30 June 2012 amounting to Rs.73,397,600 had not been credited to the Consolidated Fund while a sum of Rs.67,663,065 had been incurred from the Consolidated Fund as expenses for earning such income.

- (ii) Even though it was emphasized that the income earned from the services rendered to external parties, should be credited to the Consolidated Fund in terms of the decision of the Cabinet of Ministers dated 3 February 2009 and the directives of Director General of State Accounts and Director General of Establishments, Sri Lanka Navy had not taken action accordingly and all income had been credited to the Welfare Fund and spent without having an authority.
- (iii) Even though proper agreements should be signed with the supplier in obtaining supplies valued more than Rs.2 million according to procurement instructions the agreements had not been signed properly in purchasing Air Conditioners valued at Rs.6.3 million and Rs.2.6 million by the Sri Lanka Navy.

3.10 Losses and Damage

Observations on losses and damage revealed during audit test checks are given below.

- (a) As the purchase orders had not been offered within the validity period of the prices of selected supplier for purchasing 5000 Cartridge Containers for Sri Lanka Navy, those goods had to be purchased by re-inviting quotations. Due to calling quotations again for the purchases a sum of Rs.3,550,000 had been overpaid from the Consolidated Fund as paying higher price more than the prices quoted in the validity period.
- (b) Despite recommendations made by the Technical Evaluation Committee to print 750 copies of Seniority List of Sri Lanka Navy at the rate of Rs.390 per unit, contrary to that, those were printed at the rate of Rs.475 per unit by re-inviting quotations from the same institution and as such an overpayment of Rs.63,750 had been made.
- (c) Due to obtaining 08 vehicles at the rate of Rs.12,500 per day from the institute of second lowest price quoted without obtaining the full requirement of 33 vehicles at the rate of Rs.7,800 per day from the institute which quoted lowest price when obtaining vehicles on lease basis, and as such an overpayment of Rs.164,500 had been made.

- (d) Even though Rs.6,328,852 had been paid to foreign oil Corporation to purchase 41 metric tonnes of fuel required for Sri Lanka Navy, the actual amount of fuel supplied by that Corporation had been 39.771 metric tonnes. But action had not been taken to recover the sum overpaid amounting to Rs.189,712.
- (e) Even though a sum of Rs.3,722,504 had been paid to purchase 27.31 metric tonnes of Diesel from a shipping company for Sri Lanka Navy, the amount supplied by that company had been 26.843 metric tonnes. Even though a sum of Rs.63,655 had been overpaid to that supplier, action had not been taken to recover that amount overpaid and as such a loss of Rs.63,582 had been incurred to the Consolidated Fund.

3.11 Uneconomic Transactions

Details of the transactions entered into uneconomically revealed during audit test checks are given below.

- (a) A sum of Rs.3,486,592 had been paid to Ceylon Electricity Board as interest in the year under review due to that the electricity bills had not been paid in due dates.
- (b) A sum of Rs.2,792,975 had been paid for purchase of 1000 units of scaffoldings to fulfil a requirement of 250 units of scaffoldings for Deyata Kirula Exhibition in the year 2012. Accordingly a fruitless expenditure of Rs.2,094,731 had been incurred due to purchase of 750 units, more than the requirement.

3.12 Management Weaknesses

The following weaknesses were observed.

- (a) A sum of Rs.367,486,911 had been paid during the year under review prior to receipt of goods contrary to Government Procurement Guidelines. Even though the Committee on Public Accounts had directed at the meeting held on 09 June 2011 that these type of payments should not be made further, the Sri Lanka Navy had not eliminated that method even by 30 November 2013.

- (b) Seven Pre-paid Remittances (Cheques) valued at Rs.3,792,206 drawn in favour of the supplier utilizing the provisions for the year 2012 had been retained in the Tender Division (SO/PT) even by 14 February 2013.
- (c) Even though orders for supply of 103 units relating to 8 categories of sports equipment had been furnished to the supplier on 26 March 2012 the supply had not been made even by 7 February 2013.
- (d) Due to the failure for placing orders within the validity period of the quotations offered by the suppliers, the Sri Lanka Navy had failed to purchase 12 Microwave Ovens valued at Rs.123,581.
- (e) A sum of Rs.8,352,000 had been paid to the suppliers more than the value of the goods supplied to the Sri Lanka Navy by the suppliers. The excess amount paid had been retained by the suppliers for the period ranging from 2 days to 360 days and subsequently settled to the Sri Lanka Navy. As such the Sri Lanka Navy had given opportunities for the suppliers to misappropriate the Government funds.
- (f) The suppliers had refused to supply goods in some instances that payments made prior to the supplies, and as such legal actions against the suppliers had been taken by the Sri Lanka Navy to recover the sums so paid amounting to Rs.9,813,686.
- (g) A financial loss of Rs.226,679 had been incurred in purchasing 2 spare parts and one unit of Electronic Power Supply for KAMEWA water Jet from a foreign country due to the failure of Sri Lanka Navy to place the order within the validity period of quotations offered by the supplier.

4. Head 224 – Sri Lanka Air Force

4.1 Scope of Audit

The audit of the Appropriation Account and Revenue Account including the financial reports, reconciliation statements, books, registers and other records of the Sri Lanka Air Force for the year ended 31 December 2011 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Air Marshal on 22 October 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

4.2 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and Reconciliation Statements in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

4.3 Audit Observations

According to the Financial Reports and the Books for the year ended 31 December 2012 it was observed that except for the effects of the general observations appearing at (a) to (f) and the other major audit findings appearing in paragraphs 4.4 to 4.10 herein, the Appropriation Account, Revenue Account and the Reconciliation Statements of the Sri Lanka Air Force have been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

- (i) It was observed during audit test checks that the Sri Lanka Navy had not maintained the following Registers.

Type of Register -----	Relevant Regulation -----
Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1070.
Register of Liabilities	Financial Regulation 211.

- (ii) Sri Lanka Air Force had not replied for 4 audit queries in the year under review. The information called by 29 letters referred to the Air Marshall in order to obtain required information for audit and to identify the parties concerned who were delegated the powers on each item had not been furnished to audit. Therefore the audit could not be carried out relating to those items and it could not be ascertained, that the registers and books have been maintained properly.

(b) Budgetary Variance

The following observations are made.

- (i) Provisions of Rs.140,000,000 had been made for one Object in the year 2012, and out of that a sum of Rs.25,954,293 had been utilized in the year under review. Accordingly, provisions amounting to Rs.114,045,707 or 81.46 per cent of the total net provision had been saved.
- (ii) Out of the provisions of Rs.155,000,000 obtained by Supplementary Estimates for 07 Objects, a sum of Rs.65,453,566 had been utilized during the year and provision amounting to Rs.89,546,434 had been saved. Entire provisions of Rs.40,000,000 obtained under the Supplementary Estimate Provisions in 03 instances included in that savings had not been utilized.

(iii) The provisions made available by other Ministries and Departments to perform specific purposes in the Sri Lanka Air Force amounted to Rs.554,676,404 and out of that a sum of Rs.452,005,621 only had been utilized. Accordingly a sum of Rs.102,670,783 had been saved. The 03 purposes in which the provisions of Rs.59,825,000 made had not been entirely carried out due to provisions not made available within a sufficient period and other reasons.

(c) Imprest Account

The imprest balances of the Sri Lanka Air Force that remained without being settled by 30 April 2013 totalled Rs.150,202,634 and out of that Rs.574,452 had remained since the year 2001. The reasons for the unsettled imprest balances had not been mentioned in the Appropriation Account.

(d) General Deposit Account

The following observations are made.

(i) According to the Treasury Print Out a balance of Rs.21,225,820 as at 31 December 2012 had remained in the General Deposit Account No. 6000/0000/00/0011/0585/000 and that balance had not been included in the Appropriation Account for the year 2012. Further the balance of the General Deposit Account No. 6000/0000/00/0015/0105/000, according to the Treasury Print Out amounted to Rs.63,650,386 and that balance shown as Rs.63,641,018 in the Appropriation Account for the year 2012.

(ii) A sum of Rs.105,626 obtained as Container Advances in the years 2011 and 2012 had been retained in the General Deposit Account without crediting to the Government revenue as per the instructions given.

(e) Revenue Account

The following observations are made in connection with the Revenue Account of Revenue Code 20-03-02-16.

- (i) According to the Revenue Account as at 31 December 2012 revenue amounting to Rs.23,872,454 had been in arrears and an age analysis thereon is given below.

Less than one year	Over 1 year less than 3 years	<u>Age Analysis</u>	
		Over 3 years	Outstanding Revenue as at 31 December 2012
-----	-----	-----	-----
Rs.	Rs.	Rs.	Rs.
9,254,535	10,951,531	3,666,388	23,872,454

- (ii) The Statement of Arrears of Revenue as at 31 December 2012 had not been prepared including the information for enabling to confirm the arrears of revenue included in the Revenue Account. The collected revenue for the year 2012 had decreased by Rs.97,080,703 as compared with year 2011 and the arrears of revenue had increased by Rs.16,919,786 as compared with 2011.
- (iii) Air craft rental income amounting to Rs.205,790 retained in the General Deposit Account from the year 2010 had been credited to the Government revenue and a sum of Rs.10,697,417 out of the air craft rental income collected in the year under review amounting to Rs.175,573,860 had been credited to a internal fund of the Sri Lanka Air Force.
- (iv) Rental income from the operations of the air crafts had been collected by a private company under Sri Lanka Air Force. The details of the relevant operations of the company and the receipts of the collected revenue had not been furnished to audit. Therefore, it could not be examined whether the all collected revenue had been credited to the Government revenue.
- (v) The arrears of revenue for the year 2011 had not been shown separately in the Arrears of Revenue Reports furnished as at 30 June 2012 and 31 December 2012, and the Arrears of Revenue Reports had not been prepared for enabling to reconcile the amounts shown in Arrears of Revenue Report as at 31 December 2012 and the amounts shown in the Revenue Account as at that date. According to the Arrears of Revenue Report as at 31 December 2011, the arrears of revenue for the year 2011 had been shown as Rs.3,286,280. Nevertheless, the arrears of revenue for the preceding year had been shown as Rs.11,652,478 in the Revenue Account for the year 2012.

(vi) The cash collected and the remittances in respect of air craft rental collected in the year 2012 and in the previous years and the reports prepared with reference to receipt numbers had not been furnished to the Auditor General monthly by Accounting Officer in terms of the Financial Regulation 177(4).

(f) Reconciliation Statement of the Advances to Public Officers Account

The following observations are made.

- (i) The loan balance of Rs.16,087,477 recoverable from Civil Division as at the end of the year 2011 had increased to Rs.17,624,415 as at the end of the year under review.
- (ii) Loans recoverable from retired and deceased employees in respect of Service and Civil Divisions amounting to Rs.1,061,594 and Rs.3,460,351 respectively could not be recovered due to non-taking actions in terms of Section 4.2.4 of Chapter XXIV of Establishments Code in respect of retired officers . Some of the loan files relating to old loan balances had misplaced.
- (iii) The loan balances exceeded for more than 5 years in respect of Service and Civil Divisions totalled Rs.982,852 and Rs.6,298,524 respectively. It was informed by the Department of Public Finance on 17 April 2012, on actions should be taken by Sri Lanka Air Force to recover outstanding loan balances. Nevertheless, the actions accordingly had not been taken to recover outstanding loan balances even by May 2013.

4:4 Good Governance and Accountability

4:4:1 Annual Performance Reports

Even though the Annual Performance Report that should have been prepared by the Sri Lanka Air Force in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(i) of 20 February 2004 referred to in the letter No. PF/R/2/2/3/5(4) of the Director General of Public Finance dated 10 March 2010 addressed to all Secretaries of Ministries, Chief Secretaries of Provincial Councils, District Secretaries and Heads of Local Authorities should have been tabled in Parliament with a copy to the Auditor General within 150 days after the close of the financial year, the Annual Performance Reports for the previous 10 years from the year 2002 had not been tabled in Parliament even by 31 October 2013.

4:5 Assets Management

- (a) The following deficiencies were observed in the examination of the Report of the Movement of Non-current Assets.
- (i) The Assets amounting to Rs.525,233,980 as at 31 December 2011 had been omitted without giving reasons when brought forward the balance as at 01 January 2012 and the assets amounting to Rs.1,842,392,775 had newly been included in that report.
 - (ii) The total value of the non-current assets purchased during the year ended 31 December 2012 had been shown as Rs.235,209,385 in the above report while it had been shown as Rs.1,685,542,569 in the Format – DGSA – 4 in the Appropriation Account. As such assets amounting to Rs.1,450,333,184 had not been shown in the Report of Movement of Non-current Assets.

Even though the value of the non-current assets as at 31 December 2012 had been shown as Rs.70,344,035,950 in the Appropriation account, it was observed that the above value had not accurate due to above deficiencies, as well as non-maintenance of Registers of Fixed Assets and due to non-conducting physical verifications of assets.

(b) A Register for Computers, Accessories and Software had not been maintained relating to the Computers, Accessories and Software belonging to the Sri Lanka Air Force in terms of Treasury Circular No. IAI/2002/02 dated 28 November 2002. Further, an opening balance had not been shown in respect of computers belonging to Sri Lanka Air Force in the Report of Movement of Non-current Assets in the Appropriation Account while a sum of Rs.1,916,800 had been included as additions during the year. Detailed information as well relating to that had not been furnished to audit.

(c) Unsettled Liabilities

A Register of Liabilities had not been maintained by the Sri Lanka Air Force, in terms of Financial Regulation 214. Contrary to the Financial Regulation 94, liabilities amounting to Rs.1,653,295,756 had been incurred, exceeding the provisions of Rs.4,426,160,796 made for 30 Objects in the year under review for the utilization of the sum aggregating Rs.6,079,456,552.

4:6 Performance

The observations on the performance of the Sri Lanka Air Force according to the Annual Estimates for 2012 and Corporate Plan and the Action Plan are given below.

Non-compliance of Annual Action Plan with the Corporate Plan

Budgetary provisions should be made to achieve the targets for the year under review stated in the Corporate Plan and Action Plan should be prepared in a manner to show how the funds to be utilized during the year and compare with actuals periodically with the financial and physical targets to monitor with the necessary revisions for necessary targets. However, the Annual Action Plan had not been utilized to meet such control.

4:7 Transactions of Contentious Nature

Certain transactions carried out by the Sri Lanka Air Force were of contentious nature. Particulars of several such transactions revealed at audit test checks are given below.

(a) Contracts relating to Buildings and Constructions

- (i) The Register of Contracts had not been maintained by the Sri Lanka Air Force for enabling to compute the expenditure relating to each construction and to compute the value of the relevant asset accordingly.
- (ii) Cash credited to internal funds had also been incurred for the constructions of the Buildings of the Sri Lanka Air Force and the particulars thereon had not been furnished to audit.

(b) Vehicle Utilization

It was revealed at audit test check in respect of running charts for June 2012 the kilometres performed per litre of fuel ranged between 5 and 11 kilometres when running around Colombo by staff vehicles purchased by Sri Lanka Air force in 2011 and 40 vehicles obtained under hiring basis.

4:8 Irregular Transactions

Certain transactions entered into by the Sri Lanka Air Force were devoid of regularity. Several such instances observed are given below.

(a) Deviation from the Procedure laid down in the Procurement Guidelines

- (i) The following deficiencies were observed in the Procurement relating to purchase of 3000 pairs of shoes for the Officers of the Sri Lanka Air Force.

- * A sum of Rs.13,725,000 had been incurred to purchase 3000 pairs of Black Leather Shoes at a rate of Rs.4,575 from a private company calling by open tenders in the year under review for the officers of the Sri Lanka Air Force and five bidders had offered quotations. According to the procurement conditions, samples should be furnished with the quotations by the bidders. Nevertheless, the selected supplier had furnished the samples only 08 days after the bidding completed.
 - * Written evidence had not been furnished where that a knowledgeable officer about shoes had served in the Technical Evaluation Committee appointed for that procurement, and the supplier also not a company with the expertise knowledge on shoe production. One pair of shoes is given for an officer for a period of one and half years and the liability period was limited to 3 months.
 - * Two thousand pairs of shoes at the rate of Rs.2,822 had been purchased from a local shoe production company in the year 2011 and 700 pairs out that had been issued to the officers. Despite no complaints had been received on the quality of such production and over 1300 pairs of shoes were remained in the stores, above 3000 pairs of shoes had been purchased at the rate of Rs.4,575.
 - * When inviting bids in the year 2012, the selected shoe producing company who as previous year supplier also had offered the quotations. If 3000 pairs of shoes purchased at a rate of Rs.2,741 out of that quotations (Rs. 2419 and Rs. 2,741) which was the highest quotation a sum of Rs.5,502,000 could have been saved by the Sri Lanka Air Force.
- (ii) Bids had been invited for purchase of 300 chairs without arms through Supplies and Distributions Stores at Katunayake without identifying the specification in accordance with the office requirements. Out of that bids, 300 chairs at a rate of Rs.6,468 had been purchased at Rs.1,940,000 from a bidder who quoted highest price instead of the lowest quotation of Rs.4,256 (with value added tax) offered in accordance with the specifications laid down. Accordingly, a loss incurred by the Sri Lanka Army amounting to Rs.663,600 due to purchase of 300 chairs had been made at highest price at the rate of Rs.6,468 instead of lowest price of Rs.4,256 according to the specifications laid down.

(iii) A sum of Rs.32,610,978 had been paid to a foreign company by Letters of Credit in the months of January and February 2012 for repairing Engine of the Bell 212 Helicopter. The following observations are made in this connection.

* Even though 42 days should be given for minimum period for Limited International Bidding, 21 days only had been given thereon. A period of nearly 10 months had been taken by Procurement Committee to decide and award the order due to inappropriateness of the decisions taken by Technical Evaluation Committee and taken time for correction of those decisions.

* Direct contribution of a representative of the foreign company who had the professional experience on the production of “Bell Air Crafts” had not been obtained to examine this engine prior to specify the fixed price and it was examined by the retired officers of Sri Lanka Air Force nominated by the local representative of the foreign suppliers. Due to the deficiencies of that examination report, first agreed amount of USD 155,910 had been increased subsequently upto USD 278,959 by the Foreign Company. As such US Dollars 123,049 had been overpaid by Sri Lanka Air Force for the repair.

(b) Transactions without Authority

The following transactions without Authority were observed at audit test checks.

(i) Purchases make under P.V.R. Basis

A sum of Rs.238,157,435 had been incurred to purchase goods and services under P.V.R. basis (payments made before goods and services received) by Sri Lanka Air Force in the year under review. Even though Sri Lanka Air Force had agreed to obtain special approval from the Treasury for this payment system in the years 2010 and 2012, such required approval had not been obtained even in the year 2012.

(ii) Non-crediting Income to the Consolidated Fund earned by Sri Lanka Air Force

Sri Lanka Air Force had credited the income earned as follows to the internal funds without complying the Directives of the Committee on Public Accounts held on 23 June 2011 and the letter No. අප/iv/5/4/11 dated 09 December 2003 sent by the Director General of Establishments of the Ministry of Public Administration to the Secretary to the Ministry of Defence and the Section 2.4 of the Chapter IX of Establishments Code.

- * An income of Rs.294,000 had been earned by renting out the buildings of Colombo Camp from January to September 2012 and out of that only a sum of Rs.19,800 had been credited to the state revenue. The balance had been credited to the Service Institute Fund which was a internal fund of Colombo Camp. Further, out of the income received on renting out these Buildings from January to December 2011, only a sum of Rs.22,400 had been credited to the State revenue whereas the amount credited to the Service Institute Fund (SIF) of Colombo Camp had not been furnished to audit.
- * A sum of Rs.366,000 had been earned from August 2011 to August 2012 by renting out the playground of Colombo Camp and all such money had been credited to the Service Institute Fund (SIF) of Colombo Camp.
- * Out of the charges recovered during the period of January to September 2012 by renting out the Government buildings situated at Diyatalawa, Meerigama, Katukurunda, Ampara, Ratmalana, Chinabay, Ekala, Morawewa, Vauniya, Palaviya, Koggala, Weerawila, Sigiriya and Anuradhapura Air Force Camps, a part of Rs.157,077 had been credited to the state revenue. Required information to examine the details of the revenue credited to the internal funds of such camps during said period had not been furnished to audit.

* Monthly Reports in respect of income collected as above by Sri Lanka Air Force had not been prepared and furnished to the Auditor General in terms of the Financial Regulation 174(4).

(iii) Maintenance of Internal Funds

According to the paragraph 05 of the Air Force Order No.852a of the Air Marshall, dated 30 November 2011, 96 internal funds had been commenced in Air Force Head Quarters, Various camps and Units. Physical and human resources of the Sri Lanka Air Force had been utilized for the operations of these funds. The information called for audit relevant to those had not been furnished.

4:9 Uneconomic Transactions

A sum of Rs.240,000 recovered from 12 institutions as charges for laboratory tests done by an external institution in respect of the purchase of 40,000 blue coloured towels in the year 2012 had been credited to the General deposit Account and retained in the General Deposit Account even by 31 March 2013 without spending that sum. The relevant laboratory test charges on behalf of 11 institutions had been incurred out of the annual provisions and blue coloured towels had been purchased for Rs.15,680,000 from an another institution without considering the recommended institutions for such tests.

4:10 Management Inefficiencies

Unresolved Audit Paragraphs

Even though the following audit paragraphs included in the Auditor General's Reports had been examined and directives also issued by the Committee on Public Enterprises, action had not been taken according to that directives even by 30 November 2013.

	Date of the Committee on Public Accounts	Directive Number	Audit Paragraph
	-----	-----	-----
(i)	23 June 2011	10	To take actions to settle outstanding loan balances remained in the Public Officers Advance Account.
(ii)	23 June 2011	18(11)	To credit the Consolidated Fund with revenue and other collections receiving from playground rent.
(iii)	23 June 2011	16	To maintain Registers of Fixed Assets so as to confirm the values shown in the Appropriation Account.

5. Head 225 – Department of Police

5:1 Scope of Audit

The audit of the Appropriation Account including the financial reports, reconciliation statements, books, registers and other reports of the Department of Police for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Inspector General of Police on 05 June 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

5:2 Responsibilities of the Chief Accounting Officer/ Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer/ Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

5:3 Audit Observations

According to the Financial Reports and the Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (c) and the other major audit findings appearing in paragraphs 5.4 to 5.14 herein, the Appropriation Account and the Reconciliation Statements of the Department of Police have been prepared satisfactorily.

(a) Budgetary Variance

Excess provisions had been made for 06 Objects and as such the savings thereunder after utilization of provisions had been Rs.197,178,699 and it was ranged between 5 per cent to 44 per cent out of the net provisions relating to these Objects.

(b) General Deposit Account

- (i) Action in terms of Financial Regulation 571 had not been taken on the 301 balances of deposits amounting to Rs.14,719,138 older than 2 years.
- (ii) Even though Value Added Tax should be recovered monthly basis and remitted before 20th of subsequent month in terms of Sub-sections 06(2) and (3) of Value Added Tax (Amendment) Act No. 69 of 2011 and Withholding Tax should be remitted before fifteenth day of the month following the end of the quarter and the Stamp Duty as per the provisions should be remitted before 15 day of month following the paid quarter to the Commissioner General of Inland Revenue, Withholding Tax, Value Added Tax and Stamp Duty totalling Rs.1,537,662 had been retained in the Deposit Account without remitting to the Commissioner General of Inland Revenue in due dates.
- (iii) Particulars of the deposit had not been included in the Deposit Account in respect of 12 deposits in the Buildings Section amounting to Rs.37,703.

(c) Reconciliation Statement of the Advances to Public Officers Account

The following observations are made.

- (i) Loan balances recoverable from deceased and retired officers aggregating Rs.40,600,688 had been included in the outstanding loan balance. Action should have been taken to recover the loan balances of retired officers at the time of pension payments made and the loan balances of deceased officers at the time of payments made from the funds of widows and orphans pensions. Nevertheless the action had not been taken accordingly by the Department of Police in terms of Sections 4.2.3, 4.2.4 and 4.2.5 of Chapter XXIV of Establishments Code.

- (ii) Value of the loan balances recoverable from the officers who were interdicted and vacated of posts amounted to Rs.100,742,122. Even though action should be taken to recover the loan balance from the sureties according to the agreement entered in granting loans or from other parties according to the agreement in terms of the Section 4.5 of Chapter XXIV of Establishments Code, action had not been taken accordingly by the Department of Police. The Inspector General of Police had informed me that the loan balances of Rs.5,850,896 out of these had been already recovered and had informed to the officers-in-charge of units to recover the balance amount.
- (iii) Proper action had not been taken either to recover or to write off the loan balances of Rs.890,700 recoverable from police officers who had lost, deceased and retired in the Batticaloa Division and to recover the amount in respect of a distress loans fraud in Trincomalee Division amounting to Rs.1,275,000 shown in the reconciliation statement as other loan balances which action had not been taken to recover or to write off.
- (iv) Action had not been taken by the Department of Police to recover a sum of Rs.7,946,057 receivable from the officers who transferred out from the Department to other Ministries and Departments. In this connection action had not been taken in terms of the National Budget Circular No. 118 of 11 October 2009.
- (v) A difference of Rs.77,603,744 was observed between the loan balance according to the Control Account of Loans and Advances to Public Officers amounting to Rs.2,774,362,109 and total of the summary of Individual List of Balances amounting to Rs.2,696,758,365. Even though the difference of Rs.15,594,265 between adjusted total of the Control Accounts of the Divisions and the total of Individual List of Balances had been adjusted, a further difference of Rs.62,009,479 was shown. Action had not been taken to identify and settle that amount even by 14 June 2013.

5:4 Good Governance and Accountability

5:4:1 Corporate Plan

Even though a Corporate Plan should have been prepared at least for a period of 3 years from the year 2010 and onwards at the beginning of the year by the Department of Police in terms of the letter No. PF/R/2/2/3/5/(4) of the Director General of Public Finance dated 10 March 2010 addressed to all Secretaries of Ministries, Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and Heads of Local Authorities, such plan had not been prepared even by 31 December 2012.

5:4:2 Annual Action Plan

Even though an Annual Action Plan for the year 2010 and onwards should have been prepared by the Department in accordance with the Corporate Plan prepared in terms of the letter of the Director General of Public Finance referred to in paragraph 5.4.1 above, the Annual Action Plan for the year under review had not been prepared even by 31 December 2012.

5:4:3 Annual Performance Report

Even though the Annual Performance Report that should have been prepared by the Department in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 referred to in the letter of the Director General of Public Finance referred to in Paragraph 5.4.1 above should have been tabled in Parliament with a copy to the Auditor General within 150 days after the close of the financial year, the Annual Performance Report for the year under review had not been tabled in Parliament even by 30 May 2013.

5:4:4 Annual Procurement Plan

The Annual Procurement Plan had not been prepared in terms of the National Budget Circular No. 128 of 24 March 2006 even by 31 December 2012.

5:5 Assets Management

 Conduct of Annual Board of Survey

The following observations are made.

- (a) Action in terms of the provisions of the Financial Regulation 757(2) had not been taken on shortages of many items of goods reported in the Boards of Survey Reports in respect of the year 2012.
- (b) Action in terms of the Financial Regulations 770(2) and 771(3) had not been taken on unusable items of goods reported in the Boards of Survey Reports in respect of the year 2012.

5:6 Non-compliances

 Non-compliance with Laws, Rules and Regulations etc.

Instances of non-compliance with the provisions of laws, rules and regulations observed during audit tests checks are analysed below.

Reference to Laws, Rules and Regulations	Value	Non - compliance
-----	-----	-----
(i) Establishments Code of the Democratic Socialist Republic of Sri Lanka	Rs.	
----- Chapter XII Section 16.5	489,720	The financial penalty of Rs.489,720 that should be recovered due to breach of the agreement signed by a police officer who went abroad, had not been recovered even by 30 April 2013.
(ii) Financial Regulations of Democratic Socialist Republic of Sri Lanka		
----- Financial Regulation 880		Action had not been taken to obtain security deposit from the Chief Store Keeper of the Police Station at Kotahena

5:7 Weaknesses in the Implementation of Projects

 Projects Abandoned without Completing

Even though the Department of Police had commenced the following projects, those projects had been abandoned without being completed.

Project	Estimated Cost	Date to be Commenced	Expenditure upto 31 December 2012	Reason for Abandoning
-----	-----	-----	-----	-----
	Rs.Million		Rs.	
Construction of Police Training Institute in Ingiriya	21.9	20 September 2007	8,393,410	Non-implementation of Proper Procurement Procedure. (that should be completed on 10 August 2008)

The Inspector General had informed that the sum had not been misspend, and action had already been taken to obtain the building constructed for the Ingiriya Police Station.

5:8 Performance

A review on grave crimes (accuse arrested person and accuse arrested property) reported in Sri Lanka in respect of the years 2010, 2011 and 2012 is given below.

Number of Grave Crimes reported from the year 2010 to 2012 and the percentage.

Grave Crimes	<u>2013</u>			<u>2012</u>			<u>2011</u>		
	Number of Reported	Number Solved	Percentage of Number Solved	Number of Reported	Number Solved	Percentage of Number Solved	Number of Reported	Number Solved	Percentage of Number Solved
<u>Accuse Arrested Persons</u>									
01. Abduction / Kidnapping	897	217	24.9	1012	202	19.96	12.40	266	21.45
02. Grievous Hurt	1410	647	45.89	1719	728	42.35	1727	718	41.57
03. Hurt by knife etc.	2939	1095	37.26	2942	1033	35.11	2870	1060	36.93
04. Homicide/ Abet to Commit Suicide	745	249	33.42	707	231	32.67	646	183	28.33
05. Attempted Homicide	308	95	30.84	229	56	24.45	227	62	27.31
06. Rape / Incest	1854	167	9.01	1870	235	12.57	2212	224	10.13
07. Unnatural Offence/ Grave Sexual Abuse	519	47	9.06	517	37	7.16	576	55	9.55
08. Cruelty to Children and Sexual Exploitation of Children	334	39	11.68	376	40	10.64	398	36	9.05
09. Procuration / Trafficking	47	12	25.53	56	05	8.93	31	03	9.68
10. Offences under the Offensive Weapons Act.	277	29	10.47	147	29	19.73	162	16	9.88
Total	9330	2597	27.83	9575	2596	27.11	10089	2623	26.00
<u>Accuse Arrested Property</u>									
01. Arson	691	177	25.62	576	141	24.48	585	149	25.47
02. Mischief Over Rs.5,000	1323	428	32.35	1069	304	28.44	1096	313	28.56
03. Burglary and Theft	18665	3224	17.27	17192	2954	17.18	16763	2948	17.59
04. Riot	14	05	35.71	25	10	40.00	18	06	33.33

05.	Robbery	6521	1422	21.81	6304	1588	25.19	6552	1447	22.08
06.	Extortion	103	48	46.60	125	47	37.60	138	47	34.06
07.	Cheating/ Misappropriation C.B. Trust Over Rs.100,000	7238	2777	38.37	6365	1865	29.30	8820	2378	26.96
08.	Theft of Property including Prsedial produce over Rs.5000 and Cycle and cattle	12680	3753	29.60	11962	3649	30.50	11704	3773	32.24
09.	Counterfeiting Currency	38	05	13.16	47	04	8.51	45	07	15.56
10.	Offences against State	15	02	13.33	08	0	0.00	05	01	20.00
11.	Possession of Automatic or Repeater Shot Guns	80	09	11.25	52	07	13.46	32	08	25.00
12.	Produce Trafficking, Import or Export any amount of Heroine, Cocaine, Morphine or keep Dangerous Drugs of 02 grams of Heroin or More than that, 500 grams of Opium or more than that 05 kg of Ganja or more than that and 01 kg of Hashish or more than that.	862	132	15.31	1067	259	24.47	1315	448	34.07
	Total	48230	11982	24.84	44792	10828	24.17	47073	11525	24.48
	Grand Total	57560	14579	25.33	54367	13424	24.69	57162	14148	24.75

According to the above matters, solving of Grave Crimes had been at a slow progress.

5.9 Deficiencies in Operation of Bank Accounts

Balances for Adjustment

Information revealed at an analysis of the adjustments shown in the Bank Reconciliation Statements of 48 Divisions prepared for December 2010 by the Department of Police.

Particulars of Adjustments	Age Analysis			Total
	Over 06 months less than 01 year	Over 01 year less than 03 years	Over 03 years	
-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.
Unrealized Deposits	19,886	--	15,000	34,886
Cheques issued but not Presented for Payment	165,228	263,745	--	428,973
Unidentified Debits	8,108	--	--	8,108
Unidentified Credits	93,324	--	--	93,324

The following observations are made in this connection.

- (a) Action in terms of Financial Regulation 396(d) had not been taken on cheques issued but not presented for payment which validity period exceeded amounting to Rs.428,973.
- (b) Follow up action had not been taken on unrealized deposits which exceeded 06 months amounting to Rs.34,886.
- (c) Action had not been taken to identify and adjust in the accounts in respect of unidentified debits of Rs.8,108 and unidentified credits of Rs.93,324.

5:10 Irregular Transactions

Certain irregular transactions revealed at audit test checks are given below.

(a) Deviation from the Procedure laid down in the Procurement Guidelines.

Sixteen Air Conditioners which requested over a long period had been purchased (10 Air Conditioners had been requested in 2011) at Rs.2,183,151 under shopping procedure without purchasing under competitive bidding according to Guideline 3.4 of the Government Procurement Guidelines.

(b) General Contracts

(i) Non-taking action according to General Contracts Act, No. 03 of 1987 by the Contractors

According to the Sub-section 6(i)(a) of the above Act, every contractor or sub-agent on behalf of the contractor, sub-agent or any person act as an agent or nominee should register the Contract Agreement within 60 days from the date of the contract awarded, but action had not been taken accordingly by the companies who awarded 47 contracts.

(ii) Functions carried out by the officers of the Procurement Committees and Technical Evaluation Committees with the contractors in connection with 47 contracts amounting to Rs.1,257,818,195 without a Valid Certificate of Registration under General Contracts Act.

According to Section 12 of General Contract Act, the officers of the procurements and Technical Evaluation Committees should not carry out any action with any person mentioned in the Section 08 of above Act, relating to any matter arising from any contract agreement or such type of contract agreement except if they presented a valid Registration certificate at first step, and except the matters for registration or by any member of technical committee or procurement committee or evaluation committee or any officer or an employee or any public

officer or Registrar. Nevertheless, the officers of procurement and evaluation committees carry out functions with the contractors without valid Certificate of Registration. As such according to Section 12 of above Act the officers had carried out an offensive act.

5:11 Internal Control

Many stock items with substantial value had remained in the 04 storied main stores of the Inspector General of Police and the full responsibility had been assigned to a single store keeper and as such it could not be avoided the possibility of occurring offences and frauds. As the receipts and issues of goods and keep records had been assigned with a single officer the internal control of the stores of the Inspector General of Police had been at a weak level.

5:12 Management Weaknesses

The short message service for conveying a complaint or an information to Inspector General of Police commenced officially by incurring, a sum of Rs.3,360,000 in the 146th Police Day on 03 September 2012, was not at functioning level even by 30 April 2013. It was observed that the special attention of the top management had not been paid to utilize this service to use of as an effective instrument of control.

In connection that, the Inspector General of Police had informed to audit as follows.

“The centre for Electronic Mail Complaints for Inspector General of Police, had been established and used for above purposes”.

5:13 Losses and Damage

According to the Report of the Losses to be Write off or Waived off . shown in the Appropriation Account, there were 855 items of losses valued more than Rs.25,000 amounting to Rs.416,363,050 had remained and that can be categorized as follows.

More than Rs.25,000	Age Analysis		Total
	Between 05 to 10 years	Over 10 years	
Number of events of losses	672	183	855
Value (Rs.)	396,721,558	19,641,492	416,363,050

Action had not been taken to write off these losses and damage or to take any other action.

5:14 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	736	515	221	--
(ii) Tertiary Level	3,209	3,667	--	458
(iii) Secondary Level	82,685	72,071	10,614	--
(iv) Primary Level	2,992	2,870	122	--
(v) Others	673	673	--	--
Total	90,295	79,796	10,957	458

The following observations are made.

- Action had not been taken to fill 10,957 vacancies even by end of the year under review.
- It was failed to obtain proper approval relating to the excess staff recruited.

6. Head 226 - Department of Immigration and Emigration

6:1 Scope of Audit

The audit of the Appropriation Account and Revenue Account including the financial reports, reconciliation statements, books, registers and other records of the Department of Immigration and Emigration for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Controller General on 21 June 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

6.2 Responsibility of the Chief Accounting Officer and Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

6.3 Audit Observation

According to the financial reports and the books for the year ended 31 December 2012, it was observed that except for the effects of the general observation appearing at (a) and the other major audit findings appearing in paragraphs 6.4 to 6.6 herein, the Appropriation Account and the Reconciliation Statements of the Department of Immigration and Emigration have been prepared satisfactorily.

(a) Reconciliation Statement on Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account, Item No. 22601 as at 31 December 2012, the balances that remained outstanding as at that date totalled Rs.2,308,474 and out of that, the loan balances of Rs.345,410 had not been recovered.

6.4 Non – compliances

(a) Non – compliance with Laws, Rules and Regulations, etc.

Instances of non – compliance with the provisions of laws, rules and regulations observed during audit test checks are analyzed below

Reference to Laws, Rules and Regulations	Value	Non - compliance
-----	-----	-----
	Rs.	
Financial Regulation 94 of the Democratic Socialist Republic of Sri Lanka	3,177,779	Even though the savings relating to 05 Objects as at the end of the year under review amounted to Rs.1,314,367, the liabilities of Rs.4,492,146 had been committed exceeding such savings by Rs.3,177,779.

6:5 Management Weaknesses

The following weaknesses were observed during audit test checks.

- (a) Even though 856 retainees without visas had been taken into custody by the Department in the year 2012, the number of retainees without visas from 01 January to 31 December 2012 as shown in the computer system of the Department amounted to 11,444

- (b) According to the agreement of Implementation of Electronic Travel Authorization System, it was mentioned that, it should not be made advertisements in the web pages by the creator of the web page. Nevertheless, one company had exhibited their official logo in that web pages. The Controller General had informed that, it will be considered to give permission to exhibit their official logo with recovery of charges. It is emphasized that, such institution is obtaining untold value from this advertisement due to using this web page by foreigners worldwide who are expecting to travel in Sri Lanka. It was shown in the computer system of the Department that 1,835,536 persons of various countries had applied visas through this system from 01 January 2012 to 19 June 2013.
- (c) Issuance of Dual Citizenship Certificates had discontinued temporarily. Even though the Government had proposed to commence a scheme to award Dual Citizenship according to new system according to the decision of the Cabinet of Ministers in May 2012, said scheme had not been commenced even by 19 August 2014. However, it was shown in the computer system of the Department that 78 Dual Citizenship Certificates had been issued during the period from January 2013 to 19 January 2013, and an income of Rs.11,250,000 had been received by the Department.
- (d) If an instance arise that non-emigration of shipping crew coming to Sri Lanka, a bond has to be signed to remove them from Sri Lanka by authorized officers on behalf of the shipping agents and Governor of the Central Bank under the provisions of the Immigration and Emigration Ac. It was observed that the value of those bonds remained, as it is, for over a long period of 20 years and it is not practical as the periodic changes thereof had not been done. Details appear below.

Country	Value
-----	-----
	Rs.
Maldivo Islands	1,000
Pakistan/ Bangladesh	2,000
Europe/ Middle East	4,650
Socialist Countries	5,925
American/ South African Countries	6,975

The Controller General had informed that the instructions had been given to Deputy Controller General (Legal) to prepare bond documents as enabling to obtain expenses from the relevant shipping company that incurring to remove the shipping crew from Sri Lanka and entering into a legal agreement according to the provisions of the Law Agreement.

- (e) The approval of the Cabinet of Ministers to pay a rental of Rs.1,600,000 per month on the agreement entered into with a Malaysian Institute for maintaining Disaster Recovery Management Centre had been received. Accordingly, the total sum paid for the period from August 2007 to December 2012 amounted to Rs.94,560,000 and the period of agreement had ended as at 31 January 2013.

6:6 Human Resources Management

----- Approved Cadre and Actual Cadre -----

The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
-----	-----	-----	-----
(i) Senior Level	60	48	12
(ii) Tertiary Level	391	310	81
(iii) Secondary Level	408	335	73
(iv) Primary Level	137	115	22
(v) Others (Casual/ Temporary/ Contract Basis)	02	02	--
	-----	-----	-----
Total	998	810	188
	=====	=====	=====

The following observation is made.

Action had not been taken to fill 188 vacancies as at the end of the year under review.

7. Head 227 - Department of Registration of Persons

7:1 Scope of Audit

The audit of the Appropriation Account and Revenue Account including the financial reports, reconciliation statements, books, registers and other records of the Department of Registration of Persons for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Commissioner General on 20 June 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

7.2 Responsibility of the Chief Accounting Officer and Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer/ Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

7.3 Audit Observations

According to the financial reports and the books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (c) and the other major audit findings appearing in paragraphs 7.4 to 7.8 herein, the Appropriation Account and the Reconciliation Statements of the Department of Registration of Persons have been prepared satisfactorily.

(a) Budgetary Variance

The following observations are made.

- (i) The entire provision amounting to Rs.550,000 made for 02 Objects had been saved.
- (ii) Excess provisions had been made for 06 Objects and as such the savings thereunder after utilizing the provisions, ranged between 50 per cent and 80 per cent of the net provisions relating to that Objects. The Commissioner General had informed as a reply that the provisions of the Objects for entertainment and uniforms had been saved due to vacancies of the cadre and provisions for Overtime and Holiday Pay had been saved due to the services rendered by Civil Security Officers and provisions for Machinery and Equipment and Training and Improvement of skills had been saved due to freezing of the provisions.

(b) Reconciliation statement of the Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account, Item No. 22701 as at 31 December 2012 the balances that remained outstanding as at that date totalled Rs.2,257,592 The Commissioner General had informed as a reply that, a sum of Rs.792,750 had been recovered as at 31 July 2013 and a sum of Rs.1,069,668 are being recovering as monthly installments and the sum to be recovered at present amounting to Rs.395,174 only.

7:4 Good Governance and Accountability

7:4:1 Corporate Plan

Even though a Corporate Plan should have been prepared at least for a period of 3 years from the year 2010 and onwards at the beginning of the year by the Department in terms of the letter No. PF/R/2/2/3/5(4) of the Director General of Public Finance dated 10 March 2010 addressed to all Secretaries of the Ministries, Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and Heads of Local Authorities, the Corporate Plan prepared for the period from 2012 to 2014 had not been furnished to the Auditor General even by 09 June 2013.

7:4:2 Even though an Internal Audit Unit had been established an adequate internal audit had not been carried out and reports thereon had not been furnished.

7:5 Non-compliances

 Non-compliance with Laws, Rules and Regulations etc.

Instances of non-compliance with the provisions of laws, rules and regulations observed during audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non - compliance
-----	-----	-----
	Rs.	
(a) Financial Regulations of Democratic Socialist Republic of Sri Lanka		

(a) Financial Regulation 94	2,197,995	Even though the savings had been Rs.67,059 after the utilization of provisions made for 05 Objects, the liabilities totalling Rs.2,265,054 had been incurred exceeding that savings by Rs.2,197,995.
(b) Treasury Circulars		

Circular No. 1A1/2002/02 dated 28 November 2002.	--	A Register of Fixed Assets had not been maintained for computers and Accessories.

7:6 Weaknesses in the Implementation of Projects

Delays in Execution of Projects

Delays in execution of following projects by the Department was observed.

Provisions amounting to Rs.728.3 million had been made for Electronic National Identity Card Project from the year 2007 to 2010. Even though, a sum of Rs.314.2 million had been utilized during that period, the project had not been implemented satisfactorily. It was decided again to issue Electronic Identity Cards and Establish Electronic Data Base according to the decision of the Cabinet of Ministers dated 17 August 2011. Even though the provisions of Rs.1,200 million had been made for the year 2012, a sum of Rs.44.9 million only had been utilized thereon in 2012. The Commissioner General informed to audit, that the bids had been invited in June 2013 to establish the Electronic Data Base and it had been planned to complete collecting data in the year 2013.

7:7 Performance

Activities Contrary to the Objectives

Instances of action taken by deviating of objectives of the Department were observed and several such instances revealed at audit test checks are given below.

900,751 applications had received during the year under review to prepare National Identity cards which is the main document to confirm the identification of a person and 781,922 identity cards had been issued. Substantial amount of applicants coming daily to confirm the accuracy of the numbers of the identity cards issued very early and as well as recently and fifty two such instances were observed at an audit test check carried out on one per cent of applications relating to errors in issuance of numbers in the year 2012. It was observed that the reason for errors in numbers as above, due to that non-taking follow-up action or accurate checking on the identity card numbers issued was not done and the nature of that events occurred are given below.

- (a) Issuance of numbers not agreeable with birth days.
- (b) Identity card numbers should be issued in a manner to identity Male or Female but sometimes it had not been so done.
- (c) Birth year noted as less or more years.
- (d) Issuing same number to two persons.
- (e) Issuing numbers with errors.
- (f) Issuing invalid numbers.

The Commissioner General informed that steps had been taken already to avoid issuing identity cards with wrong numbers by entering it into computer system, and these loopholes would be completely avoid by commencing the issuance of Electronic Identity Cards in future under the Electronic National Identity Cards Project.

7.8 Human Resources Management

----- Approved Cadre and Actual Cadre -----

The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
-----	-----	-----	-----
(i) Senior Level	19	14	05
(ii) Tertiary Level	04	01	03
(iii) Secondary Level	368	253	115
(iv) Primary Level	139	132	07
	-----	-----	-----
Total	530	400	130
	====	====	====

Hundred and thirty vacancies had not been filled by end of the year under review. The Commissioner General informed to audit that requests were made to Ministry of Public Administration and Home Affairs to fill these vacancies.

8. Head - 291 - Department of Coast Conservation

8:1 Scope of Audit

The audit of the Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the Department of Coast Conservation for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of the Department on 13 September 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

8:2 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and Reconciliation Statements in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

8.3 Audit Observations

According to the Financial Reports and the Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (g) and the other major audit findings appearing in paragraphs 8.4 to 8.10 herein, the Appropriation Account and the Reconciliation Statements of the Department of Coast Conservation have been prepared satisfactorily.

(a) Non- maintenance of Registers

It was observed at the test checks that the following registers had not been maintained properly and in an updated manner by the Department of Coast Conservation.

<u>Type of Registers</u>	<u>Relevant Regulation</u>	<u>Observations</u>
Votes Ledger	Financial Regulation 447	Had not been balanced and maintained properly
Register of Losses and Damage	Financial Regulation 110	Had not been maintained in an up-dated manner
Register of Deposits	Financial Regulation 414	Had not been maintained in an up- dated manner
Register of Fixed Assets	Treasury Circular No. 842 of 19 December of 1978.	The Register of Fixed Assets had not been maintained.

(b) Budgetary Variance

Even though provisions amounting to Rs.715,000,000 had been made by annual budget estimates under the Object of Buildings and Constructions a sum of Rs.75,400,000 out of that provisions had been transferred by Financial Regulations 66 to other Objects. Accordingly a sum of Rs.514,901,641 relating to the year under review and a sum of Rs.20,713, 970 relating to previous years had been utilized to settle the liabilities out of the net provisions of Rs.639,600,000 and a sum of Rs.103,984,389 had been saved. There were transfers of provisions and savings amounting to Rs.158,670,319 under above Object and as such it was observed that excess provision had been made for the Object of Buildings and Constructions.

(c) Control over Expenditure

Liabilities amounting to Rs.1,835,753 had been incurred, at the end of the year exceeding the savings by Rs.159,933 out of the provisions made for 08 Objects contrary to Financial Regulation 94.

(d) Imprest account

The following observations are made.

- (i) The imprest debit balance of Rs.378,713 remained as at 31 December 2012 in the Imprest Account of the Department of Coast Conservation had not been settled even by 31 July 2013.
- (ii) Out of the advances of Rs.3,000,000 given improperly to the Sri Lanka Navy for Galle West Coast Margin Development Project, the advance balance not settled further amounted to Rs.378,713.

(e) General Deposit Account

The balance of the General Deposits Account as at 31 December 2012 amounted to Rs.33,765,148. The following observations are made in this connection.

- (i) A Statement of Monthly Deposit Summary should be prepared for each month according to the Form General 71 and should be furnished to the Auditor General prior to end of the following month in terms of the Financial Regulation 565(5), action had not been taken accordingly.
- (ii) Action had not been taken on Unclaimed Deposits lapsed over 02 years totalling Rs.10,658,843 in terms of Financial Regulation 571.

(f) Reconciliation Statement of Advances to Public Officers

The following observations are made.

- (i) The outstanding loan balances of 03 employees who vacated the posts and one employee who assigned to a project as at 31 December 2012 amounted to Rs.519,859. These balances remained for over a period of 03 years to 10 years, and had failed to recover the balances even by 31 July 2013.
- (ii) The difference of Rs.1,902 between the balances of the Control Account of the Department and the Summary of the List of Individual Balances had not been reconciled and settled in terms of the Public Enterprises Circular No. 96 of 10 August 1994 and the reasons for the difference had not been explained.

8:4 Good Governance and Accountability

8:4:1 Annual Procurement Plan

The Procurement Plan had not been prepared in terms of the National Budget Circular No. 128 dated 24 March 2006 even by 31 December 2012.

8:4:2 Internal Audit

An Internal Audit Unit had not been established and internal audit functions had not been carried out.

8:4:3 Implementation of Audit and Management Committee

Audit and Management Committee had not been established in the year under review.

8.4:4 Assets Management

(a) Idle and Underutilized Assets

It was observed at audit test checks that certain assets had remained idle or underutilized as analyzed below.

Type of Assets	No. of Units	Period of Idle or Underutilization
(i) Vehicles	02	Period over 04 years
(ii) Machinery	02	Period over 04 years
(iii) Vehicles removed from utilization	06	Period over 05 years
(iv) Machinery removed from utilization	01	Period over 05 years

(b) Conduct of Annual Boards of Survey

In terms of the Financial Regulation 756 and the Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No. PF/Board of Survey/01 dated 17 December 2010 of the Director General of Public Finance, the Annual Boards of Survey should be conducted and the report thereon should be furnished to the Auditor General before 31 March 2013. However, the Board of Survey Reports for the year 2012 had been furnished to audit on 13 June 2013.

(c) Assets given to Outside Parties

A vehicle belonging to Department of Coast Conservation valued at Rs.711,000 had been irregularly released to a Co-ordinating Secretary of a Former Minister.

(d) Unsettled Liabilities

The liabilities that remained without being settled as at 31 December 2012 by the Department of Coast Conservation amounted to Rs. 28,330,617 and such liabilities had remained for a period less than 01 year.

8.5 Performance

The observations on progress of the Department of Coast Conservation according to the Annual Estimates/ Action Plan for the year 2012 are given below.

(a) Key Activities not carried out Adequately

The Department of Coast Conservation had not carried out the key activities at all or adequately and several such instances observed are given below.

(i) The position of the New Constructions of Coast Conservation Structures are given in following table.

Construction Project	Provision	Utilization	Position of the Constructions as at 31 December 2012
	Rs.Million	Rs,Million	
* Ambalangoda – Patabandimulla 250 meter length Groyner	10.00	5.57	Constructions had not been commenced and had been limited only for purchasing of materials for constructions
* Marawila – Duwawatha 200 meter length Revertment Wall	6.50	5.22	
* Thalawila 60 meter length Groyner	10.00	4.17	
* Unawatuna – 200 meter length Breakwater	55.00	12.99	
* Dickwella – Ikirithuduwa 100 meter length Breakwater	10.00	2.77	Constructions had not been commenced and a small quantity of construction materials had been purchased.
* Marawila – Thalawila 03 Breakwaters of 60 meter	120.00	51.00	Even though it was targeted to complete as at 27 August 2012, the construction

length			company had defaulted the constructions after Rs. 51 million of constructions had been done. Therefore Rs.10.26 million should be further recovered out of the advances of Rs.21.51 million paid at the time of the work commenced.
* Marawila – Thalawila 02 Breakwaters of 60 meter length.	60.00	38.15	Even though it was commenced in the year 2012 the constructions of 01 Breakwater had been completed. Its entrance wall had not been removed and works had not completed.

(ii) The position of the Coastal Sand Nourishment Projects is given below.

- * Provisions of Rs.350 million had been made for Marawila-Thalawila Coast Sand Nourishment Project while it was not implemented in the year under review. Uswetakeiyawa Coast Sand Nourishment Project had been implemented under above special projects by utilizing Rs.311.98 million out of that provisions.
- * Provisions of Rs. 7 million had been made to implement Sand Nourishment Project for the developments of Coastal Line of Wellawatta, while it had not been implemented during the year under review. A sum of Rs.1.08 million had been utilized out of that provisions for the Recurrent expenditure of the Department.

(iii) The position of the constructions of Coastal Parks and Pathways are given below.

- * Even though the Constructions of Matara Coastal Park, had been commenced in the year 2011, another provisions of Rs. 16 million had been made in the year under review for constructions of first and second stages. Out of that provisions a sum of Rs.13 million had been utilized for the constructions of first stage.
- * Even though provisions of Rs. 13 million had been made to complete constructions of Wellamadama Coastal Park; that work had not been accomplished. The constructions of drainage system and side walls only

had been completed incurring a sum of Rs.4.25 million out of that provisions in the year under review.

- * Construction of 450 meter length pathway in Galle West Coastal Margin, Beautify the Coastal Park of 100 metres, and Electrification had been commenced in the year 2011 and provisions of Rs. 10 million had been made to complete it in the year under review. Nevertheless, those activities had not been completed even by 31 December 2012.

(iv) The position of the Implementation of Coastal Region and Coastal Resources Management Plan is given below.

- * Even though Coastal Region and Coastal Resources Management Plan which commenced in the year 2006 and implemented in terms of the Section 5(9) of the Coast Conservation Act, No. 49 of 2011 should be revised before ended 05 years, action had not been taken to review it though seven years had elapsed as at 31 December of the year under review.
- * Even though 155 orders had been issued in the year under review for demolishing and removing the unauthorized constructions after inspections carried out 24 unauthorized constructions or 15 per cent only had been demolished and removed. Two hundred and seventy five, out of 388 unauthorized constructions in which orders issued in the preceding year had not been demolished and removed even by 31 December 2012.
- * Even though it was planned and provisions of Rs. 2 million were made to implement the development activities of coastal access of whole country, the survey activities to identify the access ways of Galle and Puttalam Coastal Region only had been achieved. However, above provisions had been utilized for inspections of unauthorized constructions.
- * It was planned to implement Green Forest around the Coastal Region of whole country and provisions of Rs. 2 million had been made. Even though it was informed that Green Forest had been established in 06 kilo meters of Coastal area in Wellawatta, Moratuwa and Uswetakeyawa by spending Rs.753,870 out of that provisions, it was not appeared the plants

grown in such coastal region. The provisions of Rs.1,256,130 made for above purpose had been utilized for Inspections of unauthorized constructions.

- (v) The inspections and observations for implementation of the activities of National Coastal Margin had not been executed adequately and the activities of collecting data had also not been completed.

8:7 Bank Accounts

Even though the private cheque amounting to Rs.30,000 received on behalf of the Government fee was dishonoured, such amount had not been recovered even by 10 May 2013. This was due to that the services had been rendered prior to cheque was realized which received from a private institution contrary to the provisions of the Financial Regulations 169(2).

8.8 Losses and Damage

Even though It was reported in the Statement of Losses under DGSA 8 in the Appropriation Account as nil report , the losses and damage totalling Rs.1,042,358 had been incurred comprising Rs.600,000 for two motor vehicles accidents occurred in the year 2011 and 2012 and Rs.442,358 for the accident of the Excavator in 2011. Action to report the losses and damage in terms of Financial Regulation 104, and action to take either recover from the responsible parties or to write off from the books had not been taken in terms of the provisions of Financial Regulation 109.

8.9 Human Resources Management

- (a) Approved Cadre and Actual Cadre
-

The position of the cadre as at 31 December 2012 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	37	17	20
(ii)	Tertiary Level	03	01	02
(iii)	Secondary Level	334	248	86
(iv)	Primary Level	176	79	97
		-----	-----	-----
	Total	550	345	205
		====	====	====

Even though the approval had been obtained to fill 205 vacancies in terms of Financial Regulation 71, the Department had failed to fill above vacancies.

9. Head 320 – Department of Civil Security

9:1 Scope of Audit

The audit of the Appropriation Account including the financial reports, reconciliation statements, books, registers and other reports of the Department of Civil Security for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director General on 15 August 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

9:2 Responsibilities of the Chief Accounting Officer and Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

9:3 Audit Observations on the Accounts and Reconciliation Statements

According to the Financial Reports and the Books for the year ended 31 December 2012, it was observed that except for the general observations appearing at (a) to (b) and the other major audit findings appearing in paragraphs 9.4 to 9.7 herein, the Appropriation Account and the Reconciliation Statements of the Department of Civil Security have been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

- (i) It was observed at audit test checks that the following registers had not been maintained properly by the Department of Civil Security.

<u>Type of Registers</u>	<u>Relevant Regulations</u>
Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
Register of Fixed Assets on Computer Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002

- (ii) Replies to 3 audit queries issued to the Department during the year under review and one audit query for the previous year had not been furnished to audit even by 31 March 2013. The quantifiable value of transactions relating to such audit queries amounted to Rs.7,012,992.

(b) General Deposit Account

The following observations are made.

- (i) Action had not been taken on deposits older than 02 years amounting to Rs.8,736,188 in terms of the Financial Regulation 571.
- (ii) The income earned during the year 2012 amounting to Rs.38,423,787 had been retained in the Deposit Account.

9:4 Good Governance and Accountability

9:4:1 Corporate Plan

Even though a Corporate Plan should have been prepared at least for a period of 3 years from the year 2010 and onwards at the beginning of the year by the Department of Civil Security in terms of the letter No. PF/R/2/2/3/5(4) of the Director General of Public Finance dated 10 March 2010 addressed to all Secretaries of Ministries, Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and Heads of the Local Authorities, such plan had not been prepared even by 31 December 2012.

9:4:2 Annual Action Plan

Even though an Annual Action Plan for the year 2010 and onwards should have been prepared in accordance with the Corporate Plan prepared in terms of the letter of the Director General of Public Finance referred to in 9:4:1 above, the Annual Action Plan for the year under review had not been prepared even by 31 December 2012.

9:4:3 Annual Performance Reports

Even though the Annual Performance Report that should have been prepared by the Department in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(i) of 20 February 2004 referred to in the letter of the Director General Public Finance referred to in Paragraph 9:4:1 above, should have been tabled in Parliament with a copy to the Auditor General, within 150 days after the close of the financial year, the Performance Report for the year under review had not been tabled in Parliament even by 20 June 2013.

9:4:4 Annual Procurement Plan

The Annual Procurement Plan had not been prepared in terms of the National Budget Circular No. 128 of 24 March 2006 even by 31 December 2012.

9:5 Assets Management

(a) Conduct of Annual Boards of Survey

In terms of the Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No. PF/Board of Survey/01 dated 17 December 2010 of the Director General of Public Finance the Boards of Survey for the year under review should be conducted and the reports thereon should be furnished to the Auditor General before 31 March 2013. Nevertheless the Boards of Survey Reports had not been furnished by the Department even by 31 May 2013.

(b) Unsettled Liabilities

- (i) The unsettled liabilities of the Department as at 31 December 2012 amounted to Rs.113,771,016 and such amount had remained for less than one year period.
- (ii) Contrary to the Financial Regulation 94, liabilities amounting to Rs.102,819,127 had been incurred exceeding the provisions made for 19 Objects.

9:6 Non-compliances

Non-compliance with Laws, Rules and Regulations etc.

Instances of non-compliance with the provisions of laws, rules and regulations observed at audit test checks are analyzed below.

Reference to Laws, Rules and Regulations etc. -----	Value ----- Rs.	Non-compliance -----
Financial Regulations of Democratic Socialist Republic of Sri Lanka -----		
Financial Regulation 115(4)	387,502	Every claim relating to a financial year prior to the preceding financial year should be referred to the Chief Accounting Officer before payment is made thereof. Nevertheless, the action had not been taken accordingly.
Financial Regulation 855	675,985	Even though the prior approval of the Secretary should have been obtained relating to the requirement of the Newspapers to a Government Department, it was not so done.

9:7 Deficiencies in the Operation of Bank Accounts

One Current Account and 02 Savings Accounts had been maintained by the Department without obtaining the Treasury approval.

10. Head 325 - Department of Coast Guard of Sri Lanka

10:1 Scope of Audit

The audit of the Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the Department of Coast Guard of Sri Lanka for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director General on 08 August 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

10.2 Responsibility of the Chief Accounting Officer and Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and Reconciliation Statements in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

10.3 Audit Observations on the Accounts and Reconciliation Statements

According to the Financial Reports and the Books for the year ended 31 December 2012, it was observed that except for the effects of the general observation appearing at (a) and the other major audit findings appearing in paragraphs 10.4 to 10.8 herein, the Appropriation Account and the Reconciliation Statements of the Department of Coast Guard of Sri Lanka have been prepared satisfactorily.

(a) Non- maintenance of Registers and Books

The following Registers had not been maintained by the Department.

<u>Type of Registers</u>	<u>Relevant Regulations</u>
Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
Register of Fixed Assets on Computer Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002

10:4 Good Governance and Accountability

10:4:1 Corporate Plan

Even though a Corporate Plan for 5 years period from the year 2012 and onwards had been prepared by the Department of Coast Guard, the periods of achieving relevant objectives, the details of the responsible officers and the matters such as strengths, weaknesses, opportunities and threats of the Department had not been included in that Corporate Plan.

10:4:2 Annual Action Plan

Even though an Annual Action Plan had been prepared in accordance with the Corporate Plan prepared as referred to in paragraph 10.4.1 above, the objectives and the periods for achieving them had not been properly included in that Action Plan.

10:4:3 Annual Performance Report

The Annual Performance Report, that should be prepared in terms of the Public Finance Circulars No. 402 dated 12 September 2002 and 402(i) dated 20 February 2004, should be tabled in Parliament with copy to the Auditor General within 150 days after the closure of the financial year. Nevertheless, the Annual Performance Report for the year under review had not been tabled in Parliament even by 10 June 2013.

10.4:4 Implementation of Audit and Management Committee

Even though an Audit and Management Committee should be established and the meetings should be held as one meeting per quarter in terms of the Management Audit Circular No. DMA/09/01 dated 09 June 2009, the Audit and Management Committee had not been implemented during the year 2012.

10:5 Transactions of Contentious Nature

Even though it was agreed to obtain a performance bond of Rs.228,500 or 10 per cent of the contractual amount according to the agreement entered into with the private institution on 25 November 2011 by the Department of Coast Guard, the relevant supplier had given a performance bond amounting to Rs.100,000.

10:6 Irregular Transactions

Transactions without Authority

Even though it was limited as monthly consolidated charges of Rs.8,000 for the common telephone of Coast Guard “Rohana” Mirissa under monthly consolidated expenditure limit for Direct Official Telephone Facilities according to memorandum No. 03/2011 of Director General of Department of Coast Guard Sri Lanka, the telephone bill for the month of February 2012 had been Rs.10,378.

10:7 Losses and Damage

The observations on losses and damage revealed during audit test checks are given below.

- (a) The loss incurred to the Department due to accepting bids offered in second time by rejecting first offer in inviting bids for selecting an institution for making uniforms for the Department of Coast Guard of Sri Lanka amounted to Rs.140,000.

- (b) In purchasing bed sheets, towels, pillowcases etc., for the Department of Coast Guard of Sri Lanka, it had been purchased from the institute who bid the 7th lowest quotation by inviting bids for 7 times without being purchased entire quantity from the institution who bid the lowest quotation at first time and as such the loss incurred to the Department amounted to Rs.78,000.

10:8 Human Resources Management

Even though 42 Officers and 743 Sailors in Sri Lanka Navy had served as the staff of the Department, action had not been taken to obtain approval for the required cadre of the Department.