

Head 103 - Report of the Auditor General relating to the Ministry of Defence and Urban Development and the Departments under the Ministry – Year 2013

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
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.297,727,997,200 and out of that a sum of Rs.274,104,266,569 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.1,969,242 and Rs.10,678,833,793 or 0.02 per cent and 59.06 per cent of the total net provision. Details appear below.

Head	As at 31 December 2013			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.	Rs.	Rs.	
103	29,592,257,000	21,677,488,000	7,914,769,000	26.75
222	122,630,339,000	122,529,907,571	100,431,429	0.08
223	43,334,528,000	39,941,655,324	3,392,872,676	7.83
224	44,897,590,000	34,218,756,207	10,678,833,793	23.78
225	42,799,193,000	42,580,150,102	219,042,898	0.51
226	1,618,384,200	1,351,635,493	266,748,700	16.48
227	330,066,000	298,087,732	31,978,268	9.69
291	1,678,810,000	687,366,079	991,443,921	59.06
320	10,753,030,000	10,751,060,758	1,969,242	0.02
325	93,800,000	68,159,303	25,640,697	27.33
Total	297,727,997,200	274,104,266,569	23,623,730,624	

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

Provisions totalling Rs.5,283,570,884 had been made available by other Ministries and Departments for various purposes and the particulars of utilization of such provisions are given below.

Ministry/ Department which gave Provisions	Ministry/ Department which obtained Provisions	As at 31 December 2013			Savings as a Percentage of Provision
		Provision	Utilization	Savings	
		Rs.	Rs.	Rs.	
Ministry of Defence and Urban Development	Sri Lanka Air Force	425,814,225	363,762,393	62,051,832	14.57
Department of Pensions	Sri Lanka Air Force	368,571,777	366,699,042	1,872,735	0.51
Ministry of Transport	Sri Lanka Air Force	84,000,000	83,292,407	707,593	0.84
Ministry of Economic Development	Sri Lanka Air Force	35,856,356	23,372,461	12,483,895	34.82
Presidential Secretariat	Sri Lanka Air Force	170,000,000	133,974,580	36,025,420	21.19
Department of Treasury Operations	Sri Lanka Air Force	3,235,555,000	3,232,962,149	2,592,851	0.08

Ministry of Civil Aviation	Sri Lanka Air Force	15,000,000	6,977,688	8,022,312	53.48
Ministry of Defence and Urban Development	Sri Lanka Navy	233,627,247	185,838,491	47,788,756	20.46
Department of Coast Guard of Sri Lanka	Sri Lanka Navy	3,270,381	515,409	2,754,972	84.24
Ministry of Economic Development	Sri Lanka Navy	16,969,423	1,963,055	15,006,368	88.43
Sri Lanka Air Force	Sri Lanka Navy	521,086	-	521,086	100.00
Presidential Secretariat	Sri Lanka Navy	605,471,338	304,298,456	301,172,882	49.74
Ministry of Indigenous Medicine	Sri Lanka Navy	949,545	680,244	269,301	28.36
Ministry of Buddha Sasana	Sri Lanka Navy	18,874,616	3,443,389	15,431,227	81.76
Sri Lanka Transport Board	Sri Lanka Navy	15,000,000	5,161,283	9,838,717	65.59
Department of Forest Conservation	Department of Civil Security	54,089,890	7,737,986	46,351,904	85.69
Total		5,283,570,884	4,720,679,033	562,891,851	

2.2 Revenue Accounts

Estimated and Actual Revenue

The Ministry and 03 Departments under the Ministry had prepared Revenue Estimates totalling Rs.6,314,750,000 in respect of 04 Revenue Codes for the year 2013 and Revenue totalling Rs.7,834,093,568 had been collected during the year under review. Revenue in the ranges of 97 per cent to 125 per cent of the estimated Revenue had been collected. Details appear below.

Revenue Code	As at 31 December 2014			Revenue Collected as a Percentage of Estimated Revenue
	Estimated Revenue	Actual Revenue	Excess/ (Shortfall)	
	Rs.	Rs.	Rs.	
10.03.07.05	12,250,000	11,871,917	(378,083)	97
20.03.02.16	180,000,000	202,791,651	22,791,651	113
20.03.02.07	6,040,000,000	7,529,000,000	1,489,000,000	125
20.03.02.03	82,500,000	90,430,000	7,930,000	110
Total	6,314,750,000	7,834,093,568	1,519,343,568	124

2.3 Advance Accounts

2.3.1 Advances to Public Officers Accounts

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Accounts of the Ministry and 08 Departments under the Ministry and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
10301	200,000,000	99,284,696	110,000,000	140,270,439	5,000,000,000	332,606,220
22201	2,450,000,000	1,467,986,142	1,600,000,000	1,734,192,796	4,600,000,000	2,388,084,427
22301	500,000,000	324,324,176	280,000,000	393,257,937	1,000,000,000	481,189,081
22401	510,000,000	224,908,300	370,000,000	377,120,448	1,739,000,000	576,211,703
22501	1,580,000,000	882,620,143	1,200,000,000	1,265,151,467	5,120,000,000	2,391,830,785
22601	29,000,000	26,548,106	21,000,000	28,054,748	154,000,000	126,459,768
22701	21,000,000	19,396,062	12,000,000	18,811,626	95,000,000	43,637,245
29101	14,000,000	8,261,589	7,000,000	12,952,277	59,000,000	35,094,208
32001	175,000,000	156,977,380	160,000,000	155,444,169	75,000,000	7,599,074

2.3.2 Commercial Advance Accounts

A Department under the Ministry had operated one Commercial Advance Account.

(a) Limits Authorized by Parliament

The limits authorized by Parliament for the Commercial Advance Accounts Operated by a Department under the Ministry and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance		Credit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
22302	535,000,000	305,776,657	540,000,000	597,423,117	450,000,000	691,413	-	-

(b) Financial Results

The financial results of the Commercial Advance Account had been as follows.

Item Number	Advance Account Activity	Financial Results			
		2013		2012	
		Profit/ (Loss) excluding Hypothetical Charges	Profit/ (Loss) including Hypothetical Charges	Profit/ (Loss) excluding Hypothetical Charges	Profit/ (Loss) including Hypothetical Charges
		Rs.	Rs.	Rs.	Rs.
22302	Stores Advances (Explosives)	97,316,232	79,320,690	124,278,407	100,441,226

2.4 Imprest and General Deposit Accounts**2.4.1 Imprest Account**

The Imprest balances of the Ministry and 08 Departments as at 31 December 2013 totalled Rs.18,728,699,352. Details appear below.

Ministry/ Department	Imprest Account Number	Balance as at 31 December 2013
		Rs.
Ministry of Defence and Urban Development	7002/0000/00/0027/0013/000	17,343,327,720
Sri Lanka Army	7002/0000/00/0028/0013/000	584,204,663
Sri Lanka Navy	7002/0000/00/0029/0013/000	634,121,615
Sri Lanka Air Force	7002/0000/00/0030/0013/000	2,062,817
Department of Police	7002/0000/00/0031/0013/000	137,026,985
Department of Immigration and Emigration	7002/0000/00/0032/0013/000	223,725
Department of Coast Conservation	7002/0000/00/0091/0013/000	14,668
Department of Civil Security	7002/0000/00/0396/0013/000	27,605,719
Department of Coast Guard of Sri Lanka	7002/0000/00/0409/0013/000	111,440

Total**18,728,699,352**
=====**2.4.2 General Deposit Account**

The balances of Deposit Accounts of the Ministry and 09 Departments under the Ministry as at 31 December 2013 totalled Rs.3,694,939,976. Details appear below.

Ministry / Department	Account Number	Balance as at 31 December 2012
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		Rs.
Ministry of Defence and Urban Development	6000/0000/00/0015/0017/000	2,522,992,623
Sri Lanka Army	6000/0000/00/0015/0103/000	301,553,412
Sri Lanka Navy	6000/0000/00/0015/0104/000	321,171,273
Sri Lanka Air Force	6000/0000/00/0015/0105/000	27,844,731
Department of Police	6000/0000/00/0015/0106/000	237,991,086
Department of Immigration and Emigration	6000/0000/00/0015/0107/000	743,147
Department of Registration of Persons	6000/0000/00/0015/0108/000	3,332,826
Department of Coast Conservation	6000/0000/00/0015/0146/000	16,772,351
Department of Civil Security	6000/0000/00/0001/0024/000	10,924,792
	6000/0000/00/0015/0166/000	150,238,327
	6000/0000/00/0015/0196/000	101,187,156
Department of Coast Guard of Sri Lanka	6000/0000/00/0015/0171/000	188,252
Total		3,694,939,976
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Part 2

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 2013 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 12 December 2014. 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 Observation

According to the Financial Reports and the Books for the year ended 31 December 2013, it was observed that except for the effect of the general observations appearing at (a) to (f) and the other major audit findings appearing in paragraphs 1.4 to 1.9 herein, the Appropriation Account, Revenue Accounts and Reconciliation Statements of the Ministry of Defence and Urban Development have been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

It was observed during audit test checks that the Ministry of Defence and Urban Development had not maintained the following registers.

Type of Register -----	Relevant Regulation -----
Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
Stock Registers	Financial Regulation 715 (e)

(b) Budgetary Variance

The following observations are made.

- (i) The entire net provision amounting to Rs.2,320,000 made for 10 Objects had been saved.
- (ii) Excess provision had been made for 112 Objects and as such the savings, after the utilization of provisions, ranged between 10 per cent and 99 per cent of the net provisions relating to the respective Objects.

(c) Imprest Accounts

The following observations are made.

(i) Settlement of Sub-imprest

Several weaknesses revealed in audit test checks are given below.

- ❖ Even though the ad hoc sub-imprests obtained should be settled immediately after the completion of the purpose in terms of provisions in Financial Regulation 371, the ad hoc sub-imprests totalling Rs.1,753,177 issued in 50 instances had been settled after delays ranging from 01month to 05 months from the completion of purposes. Ad hoc sub-imprests totalling Rs.13,000 issued in 02 instances had been retained for 07 and 38 days respectively without being utilized for the relevant purpose and it had been settled from the total sub-imprest.
- ❖ In obtaining sub-imprests by the officers, the amount required for the relevant purpose had been overestimated and obtained in 05 instances. The savings after incurring for the relevant purpose had been settled after retaining in hand, during a period ranging from 08 days to 02 months. The amount resettled ranged between 21 per cent and 64 per cent of the sub-imprest obtained.

(ii) Granting Imprests in a Contentious Nature

A sum of Rs.19,817,306,000 received from the sale of the land where the Sri Lanka Army Headquarters is located, to two companies for the development of hotel industry, had been granted to the Secretary to the Ministry as sums of Rs.5,000,000,000, Rs.8,820,250,000 and Rs.5,997,056,000 on 05, 06 and 21 April 2011 respectively by the General Treasury contrary to Article 149 of the Constitution of the Democratic Socialist Republic of Sri Lanka. That amount had been deposited in a bank current account and invested in the Treasury Bills and fixed deposits and earned the interest and spent for the construction of the Defence Army Headquarters, Akuregoda. Details are given below.

Year	Interest Income Earned	Amount Spent for the Constructions of the Defence Headquarters	Amount Retained in hand at the end of the Year
-----	-----	-----	-----
	Rs.	Rs.	Rs.
2011	894,171,277	336,525,195	20,280,812,776
2012	2,008,077,222	1,866,056,958	20,517,173,852
2013	1,683,933,947	4,860,260,731	17,343,327,719

(d) General Deposit Account

The following observations are made.

- (i) A sum of Rs.345,025 granted for various purposes by another Ministry and a Department had been retained in the Deposit Account without fulfilling the relevant functions
- (ii) A sum of Rs.12,788,490 received by the Ministry from various private firms to fulfill the specific activities, had remained idle in a bank current account during the period from 1 year to 2 years without utilizing for fulfilling those specific activities.

(e) Revenue Account

 The following observations are made.

- (i) The follow up action on the recovery of arrears of revenue totalling Rs.1,268,650 existed in a period ranging from 1 year to 4 years, had been at a weak position.
- (ii) In terms of paragraph (4)(4) of Circular No 01/2002 of 17 July 2002 of the Department of Fiscal Policy and Economic Affairs, it had been indicated that every revenue accounting officer should pay due attention to avoid collecting further arrears and the collection of Government dues for which an Accounting Officer is responsible, is closely watched and examined by the Ministry. According to the financial regulation 127(6) Nevertheless, an adequate action had not been taken to renew licenses for firearms on timely basis, recover the arrears of license fees and minimize the possessing of firearms without licenses through follow up activities.
- (iii) According to paragraph 5 of the Circular mentioned in paragraph (ii) above, fees charged for different services should be revised on timely basis considering the changes of the economy. Nevertheless, gun license fees recoverable under the Firearms (Amendment) Act, No.22 of 1996 and license fees for explosives recoverable under the Explosives (Amendment) Act had not been revised after the years 1996 and 2000. Accordingly, the fees which are recovered at present had been decided 17 and 13 years ago respectively and the Ministry had not paid attention on the revision of those fees.
- (iv) In reporting the net income of the year in the books of the Ministry, the revenue relating to each year and the revenue collected from arrears of revenue relating to preceding years 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 Statement 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 2013, the balances that remained outstanding as at that date totalled Rs.18,462,440 and the Ministry had failed to recover those outstanding balances.

- (ii) A difference of Rs.475,136 was observed between the balance indicated in the Control Account and the List of Individual Balances prepared by the Ministry as at 31 December 2013.
- (iii) Even though loan balances of an officer who was transferred out should be settled within 03 months of the transfer through monthly accounts summaries in terms of Budget Circular No. 118 of 11 October 2004, action had not been taken to settle the loan balances amounting to Rs.686,835 receivable from 15 officers who had been transferred out from the year 2005 to 2013.
- (iv) Five hundred and eleven outstanding loan balances amounting to Rs.12,358,659 had existed as at 31 December 2013 and 366 loan balances amounting to Rs.7,571,873 had existed over a period of 05 years.

1.4 **Good Governance and Accountability**

Annual Action Plan

Even though the Ministry should prepare an Annual Action Plan in terms of paragraph 1.4.1 of the Letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance, the Annual Action Plan for the year under review had not been prepared even by 31 December 2013.

1.5 **Non – compliances**

Non – compliance with Laws, Rules, 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 the Democratic Socialist Republic of Sri Lanka		
(a) Financial Regulation 210(1)	88,711	Even though payments should be made in time so as to obtain discounts where possible, the Ministry had not so settled the water bills and as such, discounts had been deprived of.
(b) Financial Regulation 218(2)	2,061,338	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, interests had been paid to the

Ceylon Electricity Board for outstanding electricity bills.

- | | | | |
|-----|---------------------------------------|---------|--|
| (c) | Financial Regulations 211 (1) and 115 | 184,283 | Payments for number of bills in July, August and September 2012 had not been made during the same year and as such, those payments had been settled in the year under review. The approval in terms of the Financial Regulation 115 had not been obtained thereon. |
| (d) | Financial Regulation 137 (6) | 64,463 | In the payment of electricity bills by the Ministry, there were 80 instances where payments had been made exceeding the value of the electricity bill of the relevant month. |

1.6 Irregular Transactions

Certain transactions entered into by the Ministry of Defence and Urban Development were devoid of regularity. Several such instances observed are given below.

- (a) In making purchases by a repeat order in terms of the Guideline 3.6.1(d) of the Government Procurement Guidelines, the value so purchased could not be exceeded 50 per cent of the original contract value. However, in purchasing 4 computers by a repeat order spending Rs.384,000, the value of the repeat order had exceeded 50 per cent of the original contract value.
- (b) In inviting bids under Shopping Method, minimum of 07 days should be given to suppliers for offering bids in terms of the Guidelines 6.2.2 of the Government Procurement Guidelines. It had been notified in inviting bids for purchasing of materials required to paint the Defence Services College that bids should be sent as soon as possible without mentioning the deadline of submission of bids by suppliers. Accordingly, it had not been confirmed in audit that the contract had been offered by giving a reasonable bidding period to suppliers.

1.7 Uneconomic Transactions

Four hundred sarees had been purchased on 01 November 2013 for the Commonwealth Heads of Government Meeting and out of that, 44 sarees valued at Rs.217,800 had remained idle in the stores without being utilized.

1.8 Management Weaknesses

The following weaknesses were observed during audit test checks.

- (a) A fraud of Rs.580,891 had been committed within 03 months by an officer who prepared the salaries of the State Intelligence Service due to internal control weakness of preparation and payment of salaries of the Ministry.
- (b) A stock of paint valued at Rs.57,181 existed in the stores of the Ministry had expired.
- (c) Powers had been delegated to the Director of National Cadet Corps under Delegation of Financial Authority for the year 2013 of the Ministry of Defence and Urban Development for approval of payment limit of Rs.100,000. Several transactions exceeding that limit had been made as parts in the nearing dates and payments had been made by several bills. Accordingly, it was observed in audit that 10 such instances of purchasing engineering materials, stationery and ceramicware at a total value of Rs.1, 887,799 were made. It was observed in audit that the possible trade discounts had been deprived as purchases were made as parts for the same item and an unnecessary cost had to be incurred due to regular quotations made for the same type of item and for relevant documentation.
- (d) The General Treasury had made supplementary estimates amounting to Rs.234,000,000 for incurring expenditure relating to the Commonwealth Heads of Government Meeting and it had been mentioned in the letter by which provisions had been granted that those provisions should be utilized only for the purpose approved. However, goods valued at Rs.1,342,207 of which orders had been submitted to the selected suppliers mentioning as requirements of the Commonwealth Heads of Government Meeting, had been received to the Office of the Chief of Defence Staff after the meeting. Further, those goods had not been utilized for the requirement of the meeting.
 - (i) Fifteen flags with the logo of the Office of the Chief of Defence Staff had been purchased at a cost of Rs.137,500 irregularly. The relevant documents had been prepared and filed in the manner in which that irregular position was not confirmed through the documents.
 - (ii) Office of the Chief of Defence Staff had purchased furniture and office equipment valued at Rs.204,075 for the Commonwealth Heads Government Meeting. As the dates of the letters of quotations for those purchases had been changed, it was confirmed that those quotations had been obtained later.
 - (iii) Even though it had been notified by the letter No.PF/FS/01 of 23 June 2008 addressed to the Secretary of the Ministry of Defence, Public Security, Law and Order by the Director General of Public Finance that the income earned by services supplied to external parties by Three Armed Forces and the Police should be credited to the Consolidated Fund, action had not been so taken by the relevant institution.

1.9 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2013 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
Senior Level	61	44	17	--
Tertiary Level	11	07	04	--
Secondary Level	270	209	61	--
Primary Level	151	136	15	--
Others (Casual/Temporary/Contract Basis)	--	08	--	08
Total	493	404	97	08

The following observations are made.

- (i) The Ministry had not taken action to fill 97 vacancies even by the end of the year under review.
- (ii) The Ministry had not taken action to obtain proper approval relating to the excess staff recruited.

(b) Human Resources Obtained from Other Parties

Matters revealed in respect of human resources obtained from other parties by the Ministry are as follows.

Category of Employees	Number	Other Party	Period
Primary Levels	29	Sri Lanka Army	From 2012 up to 31 December 2013
Primary Levels	01	Sri Lanka National Aquatic Culture Development Authority	From 2005 up to 31 December 2013

Even though salaries and wages for the above human resources had been paid by the institutions for which they belong to, the service had been obtained by the Ministry.

2. Head 222 Sri Lanka Army

2.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records of the Sri Lanka Army for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Commander of Army on 09 October 2014. 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 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 Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

2.3 Audit Observation

According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) and (b) and major audit findings appearing in paragraphs 1.4 to 1.9 herein, the Appropriation Account, and the reconciliation statements of the Sri Lanka Army had been prepared satisfactorily.

(a) Imprest Account

Imprest Balance not settled by the Sri Lanka Army as at 30 April 2014 amounted to Rs.100,593,624.

(b) Reconciliation Statement relating to Advances to Public Officers Account

According to the Reconciliation Statement relating to Item No. 22201 Advances to Public Officers Account as at 31 December 2013, total of balances in arrears as at that date amounted to Rs.297,447,366. Follow up action with regard to recovery of those balances in arrear were at a weak level.

2.4 Assets Management

Idle and Underutilized Assets

It was observed in audit sample checks that there were certain idle or underutilized assets as shown below.

Type of Asset	No. of Units	Idle or Underutilized Period
(i) Buildings	05	Period not stated
(ii) Motor Vehicles	365	Do
(iii) Machinery	05	Do
(iv) Tyres	1,389	More than 05 years
(v) Tubes	4,170	More than 05 years
(vi) Batteries	287	More than 05 years

2.5 Non-compliance

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

Instances of non-compliance with laws, rules and regulations observed in audit sample checks are analyzed below.

Reference to Laws, Rules, Regulations etc.	Value	Non-compliance
	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 94	2,051,103,987	After utilization of net provision made, liabilities had been committed in excess of the savings.
(ii) Financial Regulation 104(1)	3,103,554,519	Damages relating to 164 internes had not been assessed and action had not been to recover from the parties responsible, even up to 31 December 2013.

(b) Non-compliance with Tax Requirements

A sum of Rs.1,091,250 had been paid as Value Added Tax for the purchase of A4 Photocopying Papers and Lexmark Type Computer Ribbons by the Sri Lanka Army during the year 2011, to a supplier who had not registered for payment of Value Added Tax. It was revealed that the supplier had retained that amount fraudulently.

2.6 Transactions of Contentious Nature

The stock of 11,750 paper packets of A4 Type declared as received to the stores on 03 and 06 December 2011 was not confirmed according to the Stores Ledger.

2.7 Improper Transactions

Deviation from the Government Procurement Procedure

Following observations are made.

- (i) In terms of Guide line 7.8.4 (f) of the Government Procurement Guidelines, suppliers should submit the bids in the specified documents. However, 20,000 paper packets valued at Rs.8,400,000 had been purchased from a bidder who had not submitted the bids in specified documents at the time of calling for quotations for supply of A4 type photo copying papers.
- (ii) Although the above mentioned bidder had not furnished a copy of the Business Names Registration Certificate along with the Procurement Paper, the contract had been awarded to that bidder.
- (iii) According to the Procurement Plan for the year 2011, requirement of A4 Papers had been 30,000. However, 21500 packets over and above that quantity had been purchased.

2.8 Management Weaknesses

Following weaknesses were observed in sample audit checks.

- (a) At a physical examination carried out in the No.02 Tyres and Tubes Stores at Panagoda Armory Force of the Sri Lanka Army, following deficiencies were observed.
 - (i) There was a shortage of 11 categories of tyres and a surplus of 27 categories of tyres. Value of those had been Rs.4,754,170 and Rs.2,272,619 respectively.
 - (ii) While a Stock book had not been maintained to record all the tyres in the stores, bin cards hadn't been maintained for 216 tyres valued at Rs.1,543,536.

- (iii) There was a shortage of 1,040 tubes valued at Rs.1,175,515 and a surplus of 1,583 tubes valued at Rs.1,784,769.
- (iv) Stores control and supervision were at a very weak level.
- (b) At a physical examination carried out in the Basic Armory at Maradana, there was a surplus of 194 tyres valued at Rs.1,972,331 and shortage of 15 tyres valued at Rs.153,568 respectively.
- (c) Although action had been taken by the Sri Lanka National Defense Force to purchase musical instruments considering as an urgent requirement for the Victorious March held on 27 May 2011, supplier had supplied those items only on 09 September 2011, after the date of the March.

2.9 Human Resources Management

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

Cadre position as at 31 December 2013 was as follows.

(a) Civil Staff

Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Exceed Cadre
(i) Senior Level	10	10	--	--
(ii) Tertiary Level	06	02	04	--
(iii) Secondary Level	198	133	65	--
(iv) Preliminary Level	6,387	7,008	--	621
(v) Others (Casual/Temporary/Contract basis)	4,537	3,652	885	--
Total	11,138	10,805	954	621

(b) Uniform Staff

	Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	8,019	7,946	73
(ii)	Tertiary Level	92,023	91,875	148
(iii)	Secondary Level	100,305	84,135	16,170
	Total	200,347	183,956	16,391
		=====	=====	=====

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 2013 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 12 December 2014. 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 2013, it was observed that except for the effects of the general observations appearing from (a) to (g) and the other major audit findings appearing from paragraphs 3.4 to 3.9 herein, the Appropriation

Account and the Reconciliation Statements of the Sri Lanka Navy have been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

It was observed in 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 dated 19 December 1978
Register of Fixed Assets on Computers Accessories and Software	Treasury Circular No. IAI /2002/02 dated 28 November 2002

(b) Lack of Evidence for Audit

Replies to Audit Queries

The audit query issued on 29 October 2014 in respect of failure in crediting the income earned from supply of services to external parties to the Consolidated Fund had not been answered even by 31 January 2015.

(c) Budgetary Variance

Excess provisions had been made for 33 Objects and as such the savings thereunder after utilization of provisions had ranged between 20 per cent and 99 per cent out of the net provisions relating to those Objects.

(d) Imprest Account

Even though the ad hoc sub imprests should be settled immediately after the completion of the purpose in terms of Financial Regulation 371, the ad hoc sub imprest granted in 20 instances had been settled only after a delay of a period ranging from 03 to 09 months of completing the purpose.

(e) General Deposit Account

The following observations are made.

- (i) Lists had not been prepared in respect of lapsed deposits at the end of every half year in terms of Financial Regulation 571(a).

- (ii) Even though deposits totalling Rs.449,861 had been retained in respect of contracts had lapsed, action had not been taken in terms of Financial Regulation 571(3) in that connection.
- (iii) Deposits totalling Rs.293,700 for project funds had not been credited to the State Revenue after a lapse of 2 years of completion of the project in terms of Financial Regulation 570.

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

The following observations are made.

- (i) The total outstanding loan balances amounted to Rs.18,098,810 as per the Reconciliation Statement on the Advances Account of Item No.22301 as at 31 December 2013 and out of those outstanding loan balances, action had been taken to recover a loan balance of Rs.13,744,349. However, no details whatsoever relevant to the recovery of loan balances amounting to Rs.4,354,462 were available with the Sri Lanka Navy.
- (ii) An unidentified difference of Rs.20,711 had been brought forward from a period of 13 years between the books maintained by the Sri Lanka Navy for the activities of the Advances to Public Officers Account and the books maintained in correspondence with them by the Treasury.
- (iii) A difference of Rs.44,143,740 existed between the balance of the Control Account and the total of the Individual Balance Classification Summary as at 31 December 2013 as indicated in the Reconciliation Statement presented. Differences of this nature had been revealed in the preceding years as well.

(g) Commercial Advance Account

The following observations are made.

- (i) Even though goods had been sold through two orders in the year 2013 relevant to sales advances totalling Rs.32,987 received in two instances in the year 2012, they had been further accounted as advances received for sales without accounting as sales. As such, the sales for the year under review had been understated by Rs.32,987 and the sundry debtors had been overstated by that amount.
- (ii) Expenses amounting to Rs.988,855 payable for services obtained in the year 2013 relevant to the Commercial Advance Account had not been accounted on

accrual basis. As such, the profit of the year under review had been overstated by that amount.

- (iii) Even though a sum of Rs.1,255,340 had been paid as Nation Building Tax for the last quarter of the year 2013, that tax had been accounted as Rs.1,405,981. As such, the profit of the year under review had been understated by Rs.150,641.
- (iv) Nation Building Tax amounting to Rs.9,325,091 relating to the years 2011 and 2012 paid in the year under review had been brought to account as expenditure in the year under review. As such, the profit had been understated by Rs.9,325,091.
- (v) A stock of Potassium Chloride had been received to the stores on 27 December 2013. Only the sum of Rs.16,073,958 paid by letters of credit had been brought to account as purchases without accounting the entire stock as purchases. The profit for the year under review had been overstated by Rs.10,710,617 due to considering the entire stock received to the stores in the valuation of the closing stock.
- (vi) Even though the creditors balances totalling Rs.99,789,112 unsettled from the year 1996 to the year 2006 had been shown in the balance sheet as at 31 December 2013, no source documents whatsoever had been presented to audit relating to the confirmation of that creditors balance.
- (vii) Even though all monies collected relating to daily sales in the Commercial Advance Account had been remitted on the days itself, by the Sri Lanka Navy, it was shown in the balance sheet that the Sri Lanka Navy should pay a sum of Rs.1,202,449 as at 31 December 2013. No documentary evidence whatsoever had been presented to audit relating to the confirmation of those liabilities.
- (viii) The following statements and reports in respect of a commercial advance account had not been prepared at the end of each quarter and presented to the Chief Accounting Officer with a copy to the Auditor General before the 15th day of the following month after that quarter in terms of Financial Regulation 504.
 - (i) Statement of Trade Creditors
 - (ii) Monthly Inspection Report on Stocks and Goods
 - (iii) Statement indicating the prescribed limits for the Advance Account
 - (iv) Provisional Profit and Loss Account
- (ix) According to Section 4 of the Nation Building Tax (Amendment) Act No.10 of 2011, the Nation Building Tax collected each month should have been remitted to the Commissioner General of the Inland Revenue before 20th day of the

following month. The tax amounting to Rs.4,788,722 so collected had been remitted after a delay of a period ranging from 08 days to 163 days.

3.4 Assets Management

(a) Conduct of Annual Boards of Survey

It had been informed to the Auditor General by the Letter No. SSO(SM) 03/2014 of 25 March 2014 that the Boards of Survey had been appointed and conducted annual boards of survey on 05 December 2013 by each directive so as to cover accounting units belonging to all institutions and ships of the Sri Lanka Navy. Even though the annual boards of survey for the year 2013 should be conducted and those reports, presented to the Auditor General before 31 March 2014 in terms of the Public Finance Circular No.441 of 09 December 2009 as amended by the Letter No. PF/Boards of Survey/01 of 17 December 2010 of the Director General of Public Finance, the Sri Lanka Navy had not presented those reports to the audit even by 30 November 2014.

(b) Assets Given to External Parties

The Sri Lanka Navy had released the following motor vehicles irregularly to the external parties.

External Party	Type of Assets	Number
Presidential Secretariat	Motor Vehicles	02
To a Minister	Motor Vehicles	01
To two Retired Administrators	Two Motor Vehicles and a Motor Bicycle	03
Coordinating Secretary to the Secretary of Defence	Motor Vehicles	01
To a Retired Major General	Motor Vehicles	01
Defence Services College	Motor Vehicles	01
To the Media Centre of the Ministry of Defence	Motor Vehicles	01

3.5 Non-compliance

Non-compliance with Laws, Rules, Regulation 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 Regulations of Democratic Socialist Republic of Sri Lanka		

(a) Financial Regulation 210(1)	853,353	Water bills had not been paid so as to obtain discounts in every possible instance.
(b) Financial Regulation 1645		- Copies of the Daily Running Charts of the vehicles of the vehicle fleet had not been furnished to the Auditor General.

3.6 Irregular Transactions

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

(a) Deviation from the Government Procurement Procedure

 The following observations are made.

- (i) Contrary to the Guideline 6.3.1 (a) of the Government Procurement Guideline and the regulations in the Bids Calling Register of the Sri Lanka Navy, bottles of glue valued at Rs.262,752, vehicles on rent basis and a stock of timber valued at Rs.656,560 had been procured on the quotation sent via fax machines.
- (ii) In terms of the Guideline 5.3.11 (a) (iii) of the Government Procurement Guideline, if the contract is awarded, a bid security should be obtained so as to cover the valid period of the quotations from the bidder in order to prevent the rejection of the supply. Nevertheless, bid securities had not been obtained in the purchase of goods valued at Rs.20,373,849.
- (iii) In accordance with the Guideline 5.4.10 of the Government Procurement Guideline, performance bonds should be obtained in the award of the contract.

Nevertheless, performance bond had not been obtained at the time of awarding contracts valued at Rs.10,361,473 and Rs.8,109,477.

- (iv) Contrary to the Guideline 2.5.1 (a) of the Government Procurement Guideline, action had been taken to purchase bathroom sets valued at Rs.1,729,858 for the Sri Lanka Navy. Since the order had been placed on 9 April 2013 according to the recommendation made by the Technical Evaluation Committee on 6 October 2012, supplier had not delivered the goods up to April 2014.
- (v) According to the Guideline 3.4.1(a) of the Government Procurement Guideline, the relevant supplier should be selected after comparing quotations obtained from several invited bidders. Nevertheless, the Sri Lanka Navy had purchased medical equipment valued at Rs.1,025,949 up on the only one quotation received for that purpose.
- (vi) In terms of the Guideline 8.9.1 (a) of the Government Procurement Guideline, a formal agreement should be signed for a goods or service contract exceeding Rs.500,000, whereas action had not been taken accordingly when obtaining vehicles on hire basis for the Sri Lanka Navy.

(b) Transaction without Authority

In terms of the Cabinet Paper No.MOD/FD/IA/5/3/(2) dated 23 January 2009, His Excellency the President had turned down the crediting of income received from outside parties to Funds Account and according to the letter No. FD/IA/05/03/02 dated 11 November 2009 of the Secretary to the Ministry of Defence, it had been stressed that all these income should be credited to the Consolidated Fund without being credited to the Funds Accounts. Further, by the letter No. a/IV/5/4-11 dated 09 December 2003 of the Director General of Establishments address to the Secretary to the Ministry of Defence and the letter No. PF/FS/01 dated 23 June 2008 of the Director General of Public Finance addressed to the Ministry of Defence had specified that the income received by the Tri Forces from outside parties should be credited to the Consolidated Fund. Nevertheless, without doing so, the income earned by the Sri Lanka Navy had been credited to various funds accounts and spent without authority. It was observed to audit that these income had been earned through a number of various methods and separate accounts were being maintained for that purpose. However, any details on the said income had not been made available to audit.

3.7 Losses and Damages

Observations on the losses and damages revealed at the audit test checks are given below.

- (a) In the purchase of spare parts of the gear boxes for Sri Lanka Navy, without taking action to obtain evaluation on the first quotations after referring them to the Technical Evaluation Committee, purchasing had been made by re-calling for quotations and as such a sum of Rs.853,444 had been overpaid from the Consolidated Fund.

- (b) In the purchase of 137 Plywood doors required by the Sri Lanka Navy, action had not been taken to purchase goods from the agreed suppliers, and as such a sum of Rs.159,662 had been overpaid from the Consolidated Fund.
- (c) As stationery valued at Rs.2,348,699 had been bought from the petty cash imprest given to the Parakrama camp during the period from January to July 2013 without purchasing them from the agreed suppliers, a sum of Rs.595,758 had been overpaid.
- (d) After calling for quotations for the purchase of goods by the Sri Lanka Navy, as action had not been taken to make orders within the valid period of those quotations, it was observed at the audit that highly increased prices had been paid in certain instances.
- (e) Two vehicles of the Sri Lanka Navy had decayed at the institute where those vehicles had been handed over for repairs, whereas action had not been taken to recover the loss from the contractor.

3.8 Uneconomic Transactions

It was revealed at the audit test check that a sum of Rs.8,341,685 had been paid to the Ceylon Electricity Board as interest due to the failure to settle the bills on due date.

3.9 Management Weaknesses

In the purchase of Roller Shutter Doors for the shopping complex constructed at Ipalogama, payments had been made to the supplier before the goods were supplied and as a result Rs.189,868 exceeding the prescribed amount had been paid to the supplier. It was observed at the audit test check that the supplier had settle the said money to the Sri Lanka Navy after being utilized for a period of 05 months.

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 2013 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 09 October 2014. 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 2013 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 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

It was observed during audit test checks that the Sri Lanka Air Force had not maintained the following Registers.

Type of Register -----	Relevant Regulation -----
Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978.
Register of Assets on Computers and Accessories	Treasury Circular No. IAI/2002/02 dated 28 November 2002.
Register of Liabilities	Financial Regulation 214.

(b) Lack of Evidence for Audit

As a register had not been furnished by giving reference to the Nos. of the invoices relating to the liabilities of Rs.4,278,066,950 included in the Appropriation Account, accuracy thereon could not be established.

(c) Budgetary Variance

The following observations are made.

- (i) The net provisions relating to 12 Objects was Rs.15,829,125,000. A sum of Rs.5,495,088,697 out of the above sum had been utilized during the year under review and provisions amounting to Rs.10,334,036,303 had been saved. As expenditure of Rs.8,156,699,135 incurred for the purchase of MI-17 had not been accounted under the Object 224-1-3-2502, the resulting savings as well had been included in that remaining provision.
- (ii) Provisions amounting to Rs.2,972,600,000 had been obtained from the allocation of supplementary estimate for 07 Objects and out of which Rs.241,248,978 only had been utilized. Accordingly provisions of Rs.2,731,351,022 had been saved. That savings had included provisions amounting to Rs.2,702,600,000 obtained under allocation of supplementary estimates on 04 occasions that had not been utilized for the relevant purposes.
- (iii) Provisions amounting to Rs.1,113,650,801 made for 29 Objects had been transferred to other 06 Objects according to the Financial Regulation 66 during the year under review. Out of those transfers, provisions amounting to

Rs.100,000,000 had been transferred to the Object 224-1-B-2104 for the construction of building, whereas it had not been utilized for any purpose during the year under review.

- (iv) The Corporate Plan prepared by the Sri Lanka Air Force for the period 2012-2015 had not been amended in the year 2013. The annual budget estimate had not been prepared based on that Corporate Plan and Action Plan had not been prepared in compliance with the forecasts of the budget estimate. Further, in support of the achievement of the targets set out in the Action Plan, progress reports had not been prepared.

(d) Imprest Account

The unsettled imprest balances of the Sri Lanka Air Force as at 30 April 2014 totalled Rs.2,047,167 and out of which a sum of Rs.574,452 continued to exist without being settled to the General Treasury since year 2001. The details on the breakdowns of the unsettled imprest balances had not been included in the Appropriation Account.

(e) General Deposit Account

The following observations are made.

- (i) Action in terms of the Financial Regulation 571 had not been taken on 06 deposits amounting to Rs.3,916,564 older than two years.
- (ii) Without being taken action in accordance with the Financial Regulation 396 (d) to credit 15 lapsed cheques issued but not presented to the bank to the Government Revenue, it had been retained in the General Deposit Account.

(f) Revenue Account

The following observations are made.

- (i) Since operations of the aircrafts had been carried out by a private company commenced in June 2010 instead of carrying out operations under the direct supervision of the Chief Air Marshal as the Revenue Accounting Officer relating to the collection of aircraft rental income, the preparation and presentation of reports had not been carried out in compliance with the provisions of the circulars issued by the Government and the registers and the performance reports pertaining to the operations carried out by that company had not been made

available to the interim audit of the Auditor General, the scope of the audit had been limited.

- (ii) The bank account of the aforesaid private company had been utilized at times of the bookings of aircrafts for the transportation of travelers and cargoes by credit cards through Inter Net and the details pertaining to that bank account and source documents relating to the rental income collected and other documentary evidence had not been made available to audit. Accordingly, Rs.202,791,651 and Rs.28,985,823 had been shown as the collected income and income in areas respectively in the Revenue Account. Nevertheless, the accuracy thereof could not be established at the audit.
- (iii) In terms of the paragraph 4(c) of the Public Finance Policy and Economic Affairs Circular No. 01/2002 dated 17 July 2002 and the Cabinet Decision No. MOD/FD/IA/5/3/(2) dated 03 February 2009, the every income earned by the Sri Lanka Air Force with the utilization of its physical and human resources should be credited to the Consolidated Fund. Nevertheless, it was revealed by a report submitted by the said company that, a sum of Rs.13,999,792 out of the aircraft rental income had been credited to an internal fund of the Air Force , which was not a Government Account, up on the approval granted by the letter No. MLO/MOD/22/2 dated 16 July 2009 of the Ministry of State Defence, Public Security and Law and Order.
- (iv) According to the Revenue Account, the income in arrears as at 31 December 2013 amounted to Rs.28,985,823 and it was Rs.20,622,723 as per the Arrears of Revenue Report. Accordingly, the difference amounted to Rs.8,363,100.
- (v) An income amounting to Rs.3,666,688 recoverable from various institutions relating to the air travelling carried out from the year 2001 to 2006 had remained outstanding over a period of 07 years, whereas the Sri Lanka Air Force had failed to take action in accordance with the Financial Regulation 175(2).

(g) Reconciliation Statement on the Advances to Public Officers Account.

 The following observations are made on the reconciliation statement of the Advances to Public Officers Account Item No. 22401 as at 31 December 2013.

- (i) According to the Control Account Summery (Account No.3) there was a difference of Rs.16,184,507 between the total of the recoverable balances of each Air Force camp and the grand total stated relating to that. A property loan amounting to Rs.327,122 recoverable from two civil officers engaged in the service at the Diyathalawa Camp had not been included in the reconciliation statement.

- (ii) Since year 1981, the Advance Activity item No.22401 had been shown in the annual budget estimate on behalf of the staff of the Air Force. But, the Advance Activity item No.0017 had been maintained for the Air Force even in the period prior to that year. There was an outstanding loan balance of Rs.550,769 under that item number and that balance had not been transferred to the Advance Activity item No.22401 and as such action had not been taken to recover that outstanding loan balance from the relevant officers. Accordingly, the outstanding loan balance as at 31 December 2013 as well had been understated by Rs.550,796 in the reconciliation statement.
- (iii) The following observations are made with regard to the loan recoverable from the retired, deceased, interdicted and transferred officer of the Sri Lanka Air Force and the Civil Division as at 31 December 2013 according to the age analysis.
- The outstanding loan balance of Rs.17,624,415 of a civil officer as at the end of the preceding year had increased up to Rs.21,040,923 or 19 per cent by the end of the year under review.
 - The outstanding loan balance of the retired, deceased employees and the employees who vacated the service relating to the Service Division amounted to Rs.1,995,753 and out of which Rs.489,560 or 25 per cent had remained outstanding for exceeding 05 years. The outstanding loan balance of the retired, deceased employees and those who vacated the service relating to the Civil Division amounted to Rs.20,279,609 and out of which Rs.7,784,954 or 38 per cent had remained outstanding for exceeding 05 years. It was Rs.6,298,254 as at the end of the preceding year and it had increased up to Rs.7,784,654 or 23.6 by the end of the year under review.

4.4 Good Governness and Accountability

4.4.1 Implementation of Audit and Management Committees

The following decisions taken at the audit and management committees of the Sri Lanka Air Force on the financial management had not been implemented even by 30 September 2014.

Date of the Meeting	Decision	Progress of the Implementation
-----	-----	-----
12 June 2012	Proper maintenance of fixed assets registers. Maintenance of registers on liabilities. Maintenance of registers on computer software and hardware. Correctly depicting the value of the fixed assets of the Air Force in the Appropriation Account.	The Sri Lanka Air Force had not correctly updated the relevant documents as per the above decision even by 31 August 2014.
	Presentation of annual independent investigation reports on the assets used at the camps to the audit.	Those independent reports had not been made available to audit.

4.5 Assets Management.

The following deficiencies were observed at the audit test check conducted on the assets of the Air Force.

- (a) The value of non-current assets purchased during the year ended 31 December 2013, had been shown as Rs. 9,770,982,543 in the movement report for non-current assets. However, the amount had been shown as Rs. 1,206,367,300 in the DGSA – 4 Format of the Appropriation account. Appropriation accounts contained such errors since 2008. However, action had not been taken to rectify them.
- (b) The following observations are made in connection with unsettled liabilities.
 - (i) According to the Appropriation Account, the unsettled liabilities of the Air Force amounted to Rs.4,278,066,949 as at 31 December 2013, and an age analysis in that connection had not been presented.
 - (ii) The Air Force had not updated the Register of Liabilities in accordance with Financial Regulation 214. Provisions aggregating to Rs.1,118,001,000 had been allocated for 19 Objects contrary to provisions of the Financial Regulation 94, whereas the total of utilizations and liabilities committed during the year

amounted to Rs.1,505,596,485. Accordingly, liabilities had been committed by exceeding the provisions for the year under review by a sum of Rs.387,595,485. Even though it had been stated in the Appropriation Account that a sum of Rs.19,488,877 should be paid to the Sri Lanka Railways on behalf of free railway warrants, the said amount was Rs.44,287,212 according to the register on the settlement of railway bills. Hence, a difference of Rs.24,798,335 was observed between those registers. A total of levy amounting to Rs.38,122,031 to be settled with the Sri Lanka Customs, and a sum of Rs.16,482,474 incurred for the year 2013 during the first 2 months of the year 2014, had not been included in the statement of liabilities – DGSA – 8 of the Appropriation account for the year 2013.

- (iii) Following a discussion held with the Treasury on 27 September 2013, the sum of Rs.1,690,467,889 agreed to be payable to the Petroleum Corporation as at 31 December 2012, had been settled to the Petroleum Corporation through Treasury Bonds. Only a sum of Rs.1,690,467,889 had been shown as balance payable as at 31 December 2012 in the Appropriation Account. Evidence had not been available to verify the accuracy of the sum paid through the Treasury Bonds, and it had not been disclosed in the Appropriation Account as well. A sum of Rs.204,548,463 had been indicated as a sum payable to the Petroleum Corporation without the availability of evidence for the confirmation of liabilities as at 31 December 2013.

4.6 Non-compliances

Non-compliances with Laws, Rules, and Regulations

Reference to Laws, Rules, and Regulations	Value	Non-compliance
(a) Financial Regulation 177 (4) of Democratic Socialist Republic of Sri Lanka	Cannot be calculate	Monthly reports relating to the income earned by the Air Force by the disposal of assets inclusive of auctioning of vehicles had not been presented to the Auditor General.
(b) Section 02 of State Accounts Circular No. 174 of 18 October 2004	- do -	Half yearly reports relating to non-current assets purchased after 01 January 2004, had not been prepared and presented to the Department of State Accounts.

4.7 Performance

The Air Force had made essential and urgent purchases on behalf of the accelerated development activities carried out by the Government relating to the construction and tourism sector. At instances where provisions are not received as per requirements, the necessary funds had been obtained from the Executive Welfare Funds, and Service Institute Funds amounting Rs.169,463,018 obtained by the Air Force. In such a manner, had been reimbursed by the Air Force to the relevant Funds during January – October 2013.

4.8 Deficiencies in the Operation of Bank Accounts

Unidentified receipts of Rs.216,257, and unidentified payments of Rs.5,000 brought forward over a period of 3 years from 2011, 2012 and 2013, in a bank account, had not been settled even as at 31 December 2013.

4.9 Irregular Transactions

Some of the transactions performed by the Air Force were of irregular nature. Some of such instances observed are given below.

(a) Construction of Internal Roads – Guwanpura Site

The following observations are made.

- (i) A duration of 14 days should be provided in terms of Guideline 6.2.2 of Government Procurement Guidelines for presenting bids relating to the contract for the construction of internal roads. However, only 05 days had been allowed in that connection. As Bids had been presented by one bidder only, the bid should have been refused in terms of Guideline 7.12.1. However, the contract had been awarded at a cost of Rs.4,018,200 by accepting his bids. As the department estimates had not been made available to the audit, the fairness of those prices could not be confirmed in the audit.
- (ii) A memorandum of understanding should have been entered into with the bidder in terms of Guideline 7.12.4. However, it had not been so done.
- (iii) According to the procedural rules affixed to the Guideline 5.4.8 of the Government Procurement Guidelines, a performance bond not less than 5 per cent of the estimated cost had not been obtained in order to secure the procurement entity in case that the contractor breaches the contract agreement.
- (iv) Although the maximum mobilization advance payable in connection with the said contract on a surety bond amounted to Rs.803,640, the supplier had been paid a sum of Rs.3,375,288 as advances without such a surety. With the value

added tax being taken into account, the said advance had been equivalent to 75 per cent of the contract value.

- (v) As required funds had not been received from the Treasury, payments had initially been made from the Executive Welfare Funds in order to expedite the constructions; such money had later been transferred to the Welfare Fund from the Government Funds.

(b) Control and Disposal of Vehicles

The following deficiencies were observed in connection with the control and disposal of vehicles.

- (i) Engine numbers and Chassis numbers of 192 vehicles owned by the Air Force had not been presented to the audit.
- (ii) It was observed that two vehicles not owned by the Air Force had been auctioned by the Air Force in 2013.

4.10 Unresolved Audit Paragraphs

Although the following audit paragraphs included in the reports of the Auditor General had been inspected, and directives had been issued by the Committee on Public Accounts, action had not been taken even as at 31 December 2013 as per those directives.

	Date of COPA Meeting -----	Directive No. -----	Audit Paragraph -----
(i)	23 June 2011	10	Settlement of old balances in the Advances to Public Officers Account.
(ii)	23 June 2011	18 II	Crediting the income earned through the rent of sports ground and other income to the Consolidated Fund.
(iii)	23 June 2011	16	Update the Register of Fixed Assets in a manner that the value shown in the Appropriation Account can be verified.

5. Head 225 – Department of Police

5.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Department of Police for the year ended 31 December 2013 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 16 June 2014. 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 Responsibility 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 the Reconciliation Statements 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 Public Finance 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 Observation

According to the Financial Records and Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (c) herein and other major audit findings appearing in paragraphs 5.4 to 5.11 below, the Appropriation Account and the Reconciliation Statement of the Department of Police had been prepared satisfactorily.

(a) Budgetary Variance

As a result of the overprovision aggregating Rs.729,608,000 with regard to 7 objects, the savings after utilization of provision totalling Rs.556,789,621 aggregated Rs.172,818,621. These savings ranged from 7 to 52 per cent of the net provision made.

(b) General Deposit Account

The balance of the General Deposit Account No.6000/0/0/0015/0016 as at 31 December 2013 amounted to Rs.237,991,086. Action had not been taken with regard to 160 deposits amounting to 19,292,111 exceeding 2 years in terms of Financial Regulation 571.

(c) Reconciliation Statement relating to Advances of Public Officers' Account

The following observations are made.

- (i) The loan balances due from officers who had expired and retired as shown in the reconciliation statement relating to the Advances to Public Officers Account–Item No.22501 as at 31 December 2013 aggregated Rs.33,152,939. In this connection, action had not been taken to recover the said loan balances in terms of Sections 4.2.3, 4.2.4 and 4.2.5 of Chapter XXIV of this Establishments Code.
- (ii) The value of loan balances due from officers who had been interdicted and who had vacated posts amounted to Rs.89,605,810. The said loan balances had not been recovered in accordance with Section 4.5 of Chapter XXIV of the Establishments Code.
- (iii) Action had not been taken even by 31 December 2013 to act in accordance with the National Budget Circular No.118 of 11 October 2009 to recover the sum totalling Rs.3,065,964 due from officers who had gone on transfers to other ministries and departments.

5.4 Good Governance and Accountability

5.4.1 Annual Action Plan

An action plan for the year under review had not been prepared even by 31 December 2013.

5.4.2 Annual Procurement Plan

The annual Procurement Plan had not been prepared even by 31 December 2013 in terms of the National Budget Circular No.128 of 24 March 2006

5.4.3 Implementation of Audit and Management Committees

The Audit and Management Committee of the Police Department had not met during the year under review.

5.5 Assets Management

Conduct of Annual Board of Survey

The following observations are made.

- (i) Action had not been taken in terms of Financial Regulation 757(2) with regard to surpluses and shortages pointed out in the annual board of survey reports of 2012.
- (ii) According to the Public Finance Circular No.441 of 09 December 2009 as amended by the letter of the Director General of Public Finance No.PF/Board of Survey/01 dated 17 December 2010, the annual board of survey for 2013 should have been conducted before 31 March 2014 and the report furnished to the Auditor General. However, the Department of Police had not acted so.

5.6 Abandonment of Projects without Completion

Although the Department of police had commenced the following construction projects, the projects had been abandoned without completion.

	Project	Estimated Cost	Date of Commencement	Due date of Completion	Expenditure by 31.12.2013	Reason for Abandonment
	-----	-----	-----	-----	-----	-----
					Rs.	
(i)	Construction of Bachelors' Quarters at Inginiyagala Police Station	999,940	20.10.1998	31.01.1999	863,948	The contractor had not properly performed the construction
(ii)	Construction of Bachelors' Quarters at Damana Police Station	997,052	20.10.1998	31.01.1999	861,452	The contractor had not properly performed the construction
(iii)	Construction of the Ella Police Station Building	16,382,487	26.04.2007	27.02.2008	5,331,930	Construction not properly done as the construction company had been closed.
(iv)	Construction of the Walasmulla Police Station Building	20,985,104	17.09.2007	28.06.2008	10,832,376	The constructor had not done the construction according to proper Standards
(v)	Construction of the Seeduwa Police Station Building	9,928,123	27.08.2007	10.01.2008	6,783,588	The contractor had suspended construction

The information relating to the action taken with regard to these constructions could not be revealed in audit as a result of non-preparation of progress reports regarding constructions and due to no follow up action being taken in this connection.

5.7 Performance

A review of the crimes (bodily harm and harm to properties) reported in Sri Lanka during 2012 and 2013 appear below.

Crimes	2013			2012		
	No. Reported	No. Settled	Percentage of No. Settled	No. Reported	No. Settled	Percentage of No. settled
Bodily Harms						
01. Abuse/ Kidnapping	1075	887	82.51	1240	1061	85.5
02. Causing severe wounds	1414	1330	94.05	1727	1636	94.7
03. Wounds caused by knives etc.	2683	2466	91.91	2870	2750	95.8
04. Murders/ Instigating Suicides	586	522	89.08	646	577	89.3
05. Attempted murders	209	191	91.38	227	204	89.8
06. Abuse of women/ immoral acts with minor girls	2193	2051	93.52	2212	2139	96.6
07. Abnormal Acts/ Severe sexual acts among males	614	555	90.39	576	555	96.3
08. Cruelty to children and obtaining improper sexual benefits from children	395	370	93.67	398	384	96.4
09. Supply and trade of women/ girls for immoral acts	09	08	88.88	31	30	96.7
Total	9178	8380	91.30	9927	9336	94.04
Harm to Properties						
01 Arson	444	286	64.41	585	368	62.9
02 Disasters causing loss over Rs.5,000	1025	809	78.92	1096	856	78.1
03. House Breaking and Robberies	16123	6116	37.93	16763	6346	37.85
04. Riots	07	066	85.71	18	15	83.33
05. Looting	4748	2573	54.19	6552	3472	52.99
06 Kidnap by force	140	111	79.28	138	113	81.88
07 Cheating/ Fraudulently obtaining signatures/ Breach of Trust relating to values exceeding Rs.100,000.	10421	6010	57.67	8820	5630	63.83
08 Stealing of properties exceeding Rs.5,000 including plantation materials and stealing of bicycles and cows of whatever values.	11436	6748	59.00	11704	6483	55.39
09 Printing of dud currency notes	59	50	84.74	45	45	100.0
10 Acts of Treason	01	01	100.0	05	02	40.0
11 Under Harmful Arms Act	125	111	88.80	162	138	85.1
12 To keep in possessing automatic or repeater bullet guns.	33	32	96.96	32	28	87.5

13.	Manufacture of heroin, cocaine, mofin of any amount, selling, export or import or to keep in possession such as 02 grams of heroin or more, 500 grams of opium or more, 05 kilograms of ganja or more and 01 kilogram of hashish.	1604	1594	99.37	1315	1300	98.85
	Total	46166	24447	52.95	47235	24796	52.49
	Grand Total	55344	32827	59.31	57162	34132	59.71

5.8 Bank Accounts

----- Balances to be Adjusted -----

According to the bank reconciliation statements prepared by the department for the month of December 2013, action had not been taken in terms of Financial Regulation 189 with regard to unrealized deposits of Rs.28,000.

5.9 Transactions of Contentious Nature

----- Purchase of 21 Horses from a Foreign Company -----

During the year under review, the Department of Police had purchased 21 horses from a Netherland company in association with a local agency by spending Rs.57,188,819. Three of these horses valued at Rs.8,169,831 had died within a very short period of 3 months, 06 months and 12 months. As a result, it had become contentious whether the health condition of horses had been taken into consideration while purchasing.

5.10 Losses and Damages

Action had not been taken in terms of Financial Regulation 109 to recover or to write off from the books 948 losses aggregating Rs.289.227,523 shown in the Appropriation Account.

5.11 Human Resources Management

Approved Cadre and the Actual Cadre

The position relating to cadre as at 31 December 2013 appear below.

	Category of Employee	Approved Cadre	Actual Cadre	No. of Vacancies
(i)	Senior Level	736	443	293
(ii)	Tertiary Level	3,209	3,150	59
(iii)	Secondary Level	82,685	70,202	12,483
(iv)	Primary Level	2,992	2,955	37
	Total	89,622	76,750	12,872

Action had not been taken to fill 12,872 vacancies by end of the year under review.

6. Head 226 - Department of Immigration and Emigration

6.1 Scope of Audit

The audit of the Appropriation Account and the Revenue Account including the financial records, reconciliation statements, books, registers and other records of the Department of Immigration and Emigration for the year ended 31 December 2013 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 14 July 2014. 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 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 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 the Reconciliation Statement in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance 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 2013, it was observed that except for the effects of the general observations appearing at (a) to (b) and the other major audit observations appearing in paragraphs 6.4 to 6.6 herein, the Appropriation Account, Revenue Account and the Reconciliation Statements of the Department of Immigration and Emigration have been prepared satisfactorily.

(a) **Budgetary Variance**

The following observations are made.

- (i) As 04 Objects had been overprovisioned, and the saving after reutilization range between 28 per cent to 81 per cent of the net provisions relating to respective Objects.
- (ii) Liabilities amounting to Rs.1,858,676 had been committed under the Objects for which provisions had not been allocated during the year under review.
- (iii) Although the liabilities amounting to Rs.6,309,022 that should have been paid in the year 2013, had been paid in the year 2014, those liabilities had not been shown in the Appropriation Account of the year 2013.

(b) **Reconciliation Statement on the Advances to Public Officers Account**

The following observations are made.

- (i) Loans valued at Rs.6,204,517 had been paid by the Department without adhering to the rules when payment of loans.
- (ii) The Department had not reconciled the total of the Register of Individual Loan Balances with that of the Control Account. The balance in the Control Account was Rs.126,540,485 , whereas the total of the Register of Individual Loan Balances amounted to Rs.126,459,768.

6.4 **Non-compliances**

Non-compliances with Laws, Rules, Regulations etc.

Of the provisions allocated to 3 Objects, the saving after being utilized amounted to Rs.258, 529. However, liabilities valued at Rs.8,099,550 had been committed in excess of the saving by a sum of Rs.7,841,021 contrary to Financial Regulation 94(1).

6.5 Management Inefficiencies

The following inefficiencies were observed during the sample audit checks.

- (a) According to the information in the computer systems of the Department, 15,282 tourists of those who arrived in Sri Lanka during 01 January 2005 to 31 December 2013 had been staying in the country without visas. Among them were 7,119 tourists who arrived in Sri Lanka during 01 January 2013 and 31 December 2013. Investigation, Special Investigation and Intelligence Divisions of the Department had investigated only 955 persons during the year under review, and action had been taken to extradite 721 of them.
- (b) The representations received by the Government Audit Division made it clear that the department officials obtained money inappropriately from the foreigners in granting them visas when the tourists arrive in the country without obtaining visas in advance. It was revealed in further investigations that no Circular relating to the procedures that instruct the officers of the Department to release visas at the airport had been issued even by 23 July 2014 paving the way for the officers to misappropriate.
- (c) In terms of the provisions of the agreement relating to the establishment of the electronic approval systems for travelling, the designer of the web page had not been allowed to personal advertise on the web page. Nevertheless, a private telephone company operating in Sri Lanka had displayed their logo on the web page. In response to the pointing out this matter by the Government Audit Division, it was stated in the letter dated 09 December 2013 of the Information and Communication Technology Agency of Sri Lanka addressed to the Secretary to the Ministry of Defence , that tenders should be called for an opportunity to advertise. Accordingly, the Controller General of the Department had been informed by the Defense Secretary on 25 March 2014 that the relevant draft tender documents be prepared and presented. However, the private telephone company was still displaying their name and logo on the web page of the Department even by 31 August 2014.
- (d) A private telephone company operating in Sri Lanka had executed a methodology through the welfare association of the Department to provide their SIM cards with the foreigners at the immigration counters with the help of the officers of the Department. Those SIM cards had been activated by entering the passport numbers of the foreigners into the network of the company. It was observed in audit that this activity had made the officers of the Department to involve in the promotional activities of a private institution. It was further observed in audit that, the information pertaining to the foreigners arriving in Sri Lanka had been given to a private institution through immigration officers by their welfare association.
- (e) Despite the issue of dual citizenship certificates had been temporarily suspended, it was observed according to the computer system that dual citizenship certificates had been

issued in the year 2013 in favour of 162 applications received by the Department, and an income amounting to Rs.22,950,000 had been earned by the Department.

- (f) Evidence had been observed in the inspection carried out on the passports belonging to some of the passengers who had been returned to Sri Lanka, that there had been instances in which notes on exit had not been entered in the passports of some of the passengers who left the country through the airport, and it had not been recorded in the terminal control system.
- (g) A specific area had not been declared in the immigration and emigration premises of the Katunayake Airport to be used for the passengers who need special attention when retained due to smuggling of drugs or illegal items. Hence, instances, in which difficulties in the execution of immigration and emigration rules, had been observed in audit.
- (h) Disciplinary actions launched against the officers of the Department on misconduct had not been proceeded in an expedited manner. Accordingly, due to delays in taking legal actions in an accelerated manner on the complaints received on the improper transactions performed by the officers of the Department with the foreigners, it was observed in audit that this situation paved the way for the continuation of the said illegal activities.

6.6 Human Resources Management

Approved Cadre and Actual Cadre

The position of cadre as at 31 December 2013 was as follows.

	Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	60	47	13
(ii)	Tertiary Level	02	02	-
(iii)	Secondary Level	821	742	79
(iv)	Primary Level	133	119	14
(v)	Other	-	02	-
	Total	1,016	912	106

The following observation is made.

The Department had been unable to fill 106 vacancies by 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 2013 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 14 July 2014. 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 and the 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.

7.3 Audit Observation

According to the financial reports and the books for the year ended 31 December 2013, 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 7.6 herein, the Appropriation Account Revenue Account and the Reconciliation Statements of the Department of Registration of Persons have been prepared satisfactorily.

(a) Budgetary Variance

Excess provisions had been made for 04 Objects and as such the savings thereunder after utilizing the provisions, ranged between 52 per cent and 91 per cent of the net provisions relating to that Objects.

(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 2013 the balances that remained outstanding as at that date totalled Rs.704,429. It had been failed to recover even as at December 2014 the sum of Rs.43,958 out of that outstanding balance.

7.4 Non-compliances

----- Non-compliance with Laws, Rules, Regulations etc. -----

Even though the savings had been Rs.268,623 after the utilization of provisions made for 05 Objects. The liabilities totalling of Rs.2,129,249 had been incurred exceeding that savings by Rs.1,860,726.

7.5 Management Weaknesses

A Special Project had been launched on the provisions of the Government of Sri Lanka for the issuing of Electronic National Identity Cards for the Sri Lankan citizens by the Department. Even though the activities of that Project had been launched in the year 2007, the activities of the Project had been stopped in case of cancelling of the relevant provisions on the decision of the Cabinet of Ministers held on 09 September 2009. However, the activities of the Project had been commenced in return in the year 2012 according to the decision of the Cabinet of Ministers taken on 17 August 2011.

The following observations are made in this connection.

- (a) A sum totalling of Rs.314,199,087 had been spent for the Project at the time of the activities of the Project had been stopped in the year 2010. Further, a sum of Rs.153,634,785 had been spent for the activities of the Project in the year 2012 and 2013.
- (b) The activities of issuing of the Electronic National Identity Cards should be commenced in the year 2016 as per the letter No. ප්‍රලිංච/ මුදල්/ 09 /විවිධ dated 26 May 2014 of the Commissioner General of the Department of Registration of Persons .However, it had been difficult to issue the Electronic National Identity Cards as expected in case of a supplier had been selected for the activities of the Project at the end of the year 2013 , collection of personal information and biodata planned to be done at the beginning of the year 2014 had not been fulfilled as at 30 June 2014 . It had been informed in this connection by the Commissioner General to the audit that the Action Plan of the Project had been changed, collection of personal data and biodata had been commenced in September 2014 at 15 Divisional Secretariats in Southern Province as a Pilot Project, after that collection of this information would be completed whole in the Island within 6 months period.
- (c) The progress of functions of Electronic Identity Card Project had not been adequately achieved according to the Performance Report of the Department in the year 2013.

- (i) Even though provisions amounting to Rs.3.5 million had been made for setting up the main data storage of the Project ,any utilization had not been done thereof and only the planning of setting up the main data storage in the head office premises had been done.
- (ii) Even though provisions amounting to Rs.20 million had been made for the establishment of the Disaster reprocessing Centre, a land in the Suriyawewa Technical Garden had been acquired spending Rs.0.0114 million thereof . Planning and construction activities therein had been furnished to the approval of the Cabinet of Ministers for handing over the planning and construction activities to the Construction Engineering Central Bureau (CECB).
- (iii) Provisions of Rs.171.7 million had been made for the collection of data by using man power , supplying of communicative materials and equipment required for that purpose . Bids had been issued only for the purchasing of finger print machines utilizing a sum of Rs.1.74 million out of that.
- (iv) Even though 4 projectors had been purchased by spending a sum totalling of Rs.748,852 in the year 2012 , two out of them had been misplaced. Investigation activities in that connection were carrying out.
- (v) Even though a minimum of 21 days should be given for the bidders for the presentation of bids in terms of Guide 6.2.2 of the Government Procurement Guidelines, only 15 days had been given for the selection of a supplier for the printing of applications in relation to issuing of Electronic National Identity Cards. Therefore, only 04 bidders had been presented bids in this connection. An economical benefit had been lost which could have been received to the Government due to the clogging of occasions to the competitive bidders in case of the due time period had not been given. Bids had been received from 13 printing presses and only 04 bidders had been presented in this connection. Accordingly, only 04 bids had been presented due to the required capital of the printing machines and the capacity required had not been available in many institutes.
- (vi) Sample test checks had been made from the institutes in which the relevant bids sent as per the recommendations of the Technical Evaluation Committee on 15 October 2013 after calling bids to purchase of furniture for the Divisional Secretariats for the Project activities. Accordingly, it had been noted down in files that it was satisfied about the suitability of those things. Nevertheless, letters had been sent to the bidders after the date of the relevant recommendations made on 15 October 2013 as the equipment should brought to the Head office for the examination of the relevant sample test checks before 28 November 2013. The approval of the Board of Tender had been given by submitting the relevant recommendations of the samples on 15 October 2013 being the letters had been sent as to receive for the examination of relevant samples before 28 November 2013. Even though a saving of Rs.4,489,353 had been made according to the

clarification of the Commissioner General , goods had been purchased which had decided to inappropriate by the recommendations of the Technical Evaluation Committee and previous examinations.

- (vii) Even though 100 finger print machines had been purchased under the Project for training of the officers, it had been mentioned that the size of that equipment should be 10x20 cm during the calling of bids. However, the sizes of the equipment purchased from a Government institute was 12x6 cm and those had not been agreeable to the specifications.
- (viii) Even though the Technical Evaluation Committee had been informed that it should be obtained the finger print pads of the size of 15-17xcm 7-9x cm1/2 and the ink Ridge builder/Enhancer brand and as such the relevant goods had been directly imported through a private company. However, it was confirmed at physical audit that the matters such as the length of the relevant ink pad was 10x6 cm, the brand of the ink was not the Ridge builder, although the ink pad had imported and after brought to the Department stickers had been affixed including the category and the name of the imported company, brand name, category and code numbers in the premises of the Department. Further,100 samples of ink pads had been made by one produce name by a Government institute, while obtaining of 14,500 ink pads had been ordered by a private institute from another trade name.
- (ix) Activities of issuing of a new computerized identity card is done even as at present which was commenced on 28 February 2014 by the Department. A National identity card similar to the Electronic Identity Card could be issued under the aforesaid Project by entering bio data to the above identity card which the information entered in Sinhala and Tamil languages. Accordingly, it was observed at audit that the ability to save a large amount of money spent for the project by improving the methodology followed at present.

7.6 Human Resources Management

----- Approved and Actual Cadre

 The position of the cadre as at 31 December 2013 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
-----	-----	-----	-----	-----
(i) Senior Level	25	14	11	-
(ii) Tertiary Level	04	01	03	-
(iii) Secondary Level	1,195	977	218	-
(iv) Primary Level	139	123	16	-
(v) Other	-	01	-	01
Total	1,363	1,116	248	01
	=====	=====	=====	=====

The following observations are made

While 248 vacancies had been existed at the end of the year under review and the required staff for fill those vacancies had been requested by the Ministry of Public Administration and the Accountant Serviced Board.

8. Head 291 – Department of Coast Conservation

8.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation Statements, books, registers and other records of the Department of Coast Conservation for the year ended 31 December 2013 was carried out in pursuance of provisions of 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 08 August 2014. 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 transaction. 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 of Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions, and the Public Finance 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 Observation

According to the Financial Records and the Books for year ended 31 December 2013 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 8.4 to 8.14 herein, the Appropriation Account and the Reconciliation Statements of the Department of Coast Conservation have been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

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

Type of Registers	Relevant Regulation
-----	-----
(i) Votes Ledger	Financial Regulation 447
(ii) Register of Losses and Damage	Financial Regulation 110
(iii) Registers of Deposits	Financial Regulation 414
(iv) Advances Ledger	Financial Regulation 420
(v) Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978.

(b) Budgetary Variance

Excess provisions had been made for 06 Objects, and as such the savings thereunder after utilizing the provisions ranged between 20 per cent and 70 per cent relating to those Objects.

(c) Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account item No. 29101 as at 31 December 2013 the balances that remained outstanding as at that date totalled Rs.1,485,735.

8.4 Good Governance and Accountability
-----**8.4.1 Annual Procurement Plan**

The Annual Procurement Plan in terms of the Budget Circular No. 128 dated 24 March 2006 had not been prepared even by 31 July 2014.

8.4.2 Internal Audit

An Internal Audit unit had not been established in the Department and action had not been taken to perform the internal audits of the Department even by the Internal Audit Unit of the Ministry.

8.4.3 Implementation of the Audit and Management Committee.

The Audit and Management Committee meetings had not been held during the year 2013 in terms of the Management Audit Circular No. DMA/2009 (1) dated 09 June 2009.

8.5 Assets Management

The following observations are made.

(a) Idle and Under-utilized Assets

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

Type of Assets	No. of Units	Period of Idle or Under Utilization
-----	-----	-----
(i) Vehicles	05	04 years
(ii) Vehicles – Tippers	03	03 years
(iii) Machinery	02	04 years
(iv) Gabian Plastic Net	236	06 years
(v) Green Net	220 meters	03 months

(b) Conduct of Annual Boards of Survey

The following observations are made.

- (i) In terms of 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 reports thereon should be furnished to the Auditor General before 31 March 2014. Nevertheless the Board of Survey Reports for the year 2013 had been furnished only on 07 May 2014.
- (ii) Action in terms of the Financial Regulations had not been taken on the excesses and shortages and other recommendations reported in the Board of Survey Reports in respect of the year 2013.

(c) Unsettled Liabilities

The unsettled liabilities of the Department as at 31 December 2013 amounted to Rs.639,518,227 and that balance remained less than one year period. Contrary to Financial Regulation 94, the liabilities aggregating Rs.3,714,789 had been incurred

comprising the liabilities of Rs.3,456,538 exceeding the savings of Rs.44,376 under 4 Recurrent Objects and the liabilities of Rs.258,251 exceeding the savings of Rs.380.742 under 2 Capital Objects.

8.6 Non-compliances

----- Non-compliance with Laws, Rules, Regulations etc. -----

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
-----	-----	-----
(a) Coast Conservation Act No.57 of 1981 Section 31(1), 31(2) and 31(4)	5,991,496	Even though 326 demolish and removal notices had been issued in the year 2013, any demolish and removal had not been carried out according to the progress reports of 2013. However a sum of Rs.5,991,496 had been spent.
(b) Financial Regulation 137 and 138 of Sri Lanka Democratic Socialist Republic of Sri Lanka	825,000	An agreement had been entered with the District Secretary, on 12 September 2013 for allocating a portion of the building of the District Secretariat, Jaffna in order to establish a regional office of the Department, while a sum of Rs.825,000 had been paid to District Secretary, Jaffna on 20 March 2013 even prior to entering into an agreement. According to the agreement, the contract for the partitioning of the part of the building and establishing relevant office should be completed as at 31 October 2013, such contract had not been completed even by 18 July 2014.

8.7 Delays in Execution of Projects

The following matters were revealed relating to the contract of constructions of 03 submerged Break waters in Marawila-Thalawila.

- (a) An agreement had been entered into, on 02 March 2012 for the above constructions at an estimated cost of Rs.107,530,000, and the constructions should have been completed on 02 June 2012. Even though a sum of Rs.52,589.405 had been incurred by 31 December 2013, the constructions had not been completed even by 25 February 2014 due to poor performance of the contractor and the non-completion of the contract as per the agreement.
- (b) Even though the contract period had been extended in time to time due to non-completion of the contract according to the agreement, the contractor had been ejected on 10 July 2013 due to non-performing of work according to the agreement and failure to perform satisfactory constructions. However action had not been taken to black list the relevant institution in terms of the Guideline 8.11.5 of the Government Procurement Guidelines.
- (c) Even though delay charges amounting to Rs.10,753,000 or 0.05 per cent of the contract value should have been recovered due to non-performing of works at the scheduled date according to the Section 49(1) and 50(1) of the above agreement action had not been taken to recover delay charges even by 31 July 2014.
- (d) A sum of Rs.04 million had been paid in addition to the agreed payment on 14 February 2013 without having a proper approval for the Barges which were non-performing and met accidents used for Break water by the contractor. These Barges had broken due to accidents and submerging in the sea even by 25 February 2014 as the contractor had not remove those.

8.8 Performance

According to the Annual Action Plan 2013, the observations on the progress of the Department are given below.

(a) Key Functions not carried out Adequately

The Department had not carried out the key functions adequately and several such instances observed are given below.

	Construction Project	Provision	Utilization	Position on Constructions as at 31 December 2013
		Rs. Millions	Rs. Millions	
(i)	Ulhitiya-South 80 meter, Break Water	15.0	15.81	60 per cent of the constructions had been completed
(ii)	Uswetakeiyawa, Break Waters 03	150.0	15.09	20 per cent progress on construction
(iii)	Koggala 90 metres length Groyner	10.0	20.18	Even though provisions had been incurred twice times, only 50 per cent constructions had been completed
(iv)	Madilla, Thangalla (SB W 1) 120 meters length Break water	60.0	16.88	17 per cent of the pathway had been completed
(v)	Madilla, Thangalla (SBW2) 80 meters length, Break Water	40.0	8.69	31 per cent of the pathway had been completed
(vi)	Urgent Constructions on Coast Conservation	50.0	41.23	82 per cent constructions had been completed
(vii)	Development of Coastal Margin Project	200.0	8.23	4 per cent development works had been completed
(viii)	Coastal Engineering Investigations	10.0	6.71	67 per cent progress had been obtained

(ix)	Issuance of Licences	0.4	0.36	25 per cent progress had been obtained
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8.9 Deficiencies in the Operation of Bank Accounts

Even though a cheque amounting to Rs.30,000 received as the Government charges for allocation of the Mount Lavinia Beach for a concert had been dishonored, action had not been taken to recover such amount even by 31 July 2014.

8.10 Transactions on Contentious Nature

Three tippers and a lorry which used for the Dikovita Fishery Harbour Project had been taken over by the Department on 27 December 2011 after the above project completed. The following observations are made in this connection.

- (a) A sum of Rs.4,055,764 had been paid to Sri Lanka Customs as tax in transferring such vehicles to the Department on 16 November 2011 and it was transferred to the Department only on 10 January 2012.
- (b) An examination report of a motor vehicle engineer had not been obtained before transferring the above 4 vehicles and according to the report of the committee appointed on 06 February 2012 for examination of above 4 vehicles, it was informed that the vehicles were not in running condition even as at the date of transferring. A proper methodology had not been followed when transferring the assets to the Department and as such the expenditure spent for tax and other expenditure for the vehicles amounting to Rs.4,092,264 had become fruitless.
- (c) These four vehicles had not been used for running since the date of transfer while Daily Running Charts and the Log Books thereon had not been maintained. Even though it was pointed out in the Boards of Survey Reports that these vehicles were not suitable for use and should be auctioned, any action had not been taken even by 31 July 2014.

- (d) An estimate amounting to Rs.1,324,656 had been obtained to repair one vehicle, and Rs.500,000 out of the estimate had been paid prior to the services obtained. Even though this service had not been obtained, action had not been taken to recover that amount even by 31 July 2014.

8.11 Uneconomic Transactions

Even though a sum of Rs.962,150 had been incurred to maintain the Green Forest Programme commenced in coastal regions, according to the progress report of the Department in the year 2013 no physical progress had been achieved due to lack of proper methodology to maintain such programme. Therefor sum spent thereon had become fruitless.

8.12 Unresolved Audit Queries

Reference to unresolved audit paragraphs that follow up action had not been taken which included in audit reports relating to the Department are given below.

Reference to Audit Report		Subject
Year	Paragraph Number	
2011	1.3 (d)	Non-preparing of procurement plan
2012	1.4.2	
2011	1.3 (g)	Non-taking action to settle the difference of Rs.1,902 between Control Account and Register of Individual Account Balances.
2012	1.3(g)(ii)	
2012	1.4.3	Non-establishment of Internal audit unit.
2012	1.4.4	Non-Implementation of Audit and Management Committee.
2012	1.7	Contrary to Financial Regulation 169(2) the services had been rendered prior to

realize the cheque given by the private institution. Even though the cheque had been dishonored, the amount had not been recovered.

8.13 Management Inefficiencies

The following weaknesses were observed during audit test checks

(a) Programmes of Coast Conservation

The objective of the Department is to mitigate the identified risk on coastal erosion in any place of the sea beach under the Coast Conservation Programme. It is expected from the Department that action should be taken through the initial study and remedial actions should be taken. However the instances of non-achievement of objectives and the several such instances of changing, adding and abandoning of approved project to achieve the objectives are given below.

- (i) Even though 220 meters length Revetment in Dungalpitiya, Negombo had been planned, 06 Groyners had been constructed.
- (ii) Even though 270 meters length Kapungoda Breakwater and 75 meters length Groyner had been constructed in the year 2011 at Rs.25.87 million it was decided to remove 110 meters of Breakwater due to sand nourishment and the boats could not be stopped there which was the expected objective. The amount spent for this construction amounted to Rs.19,578,933, and a sum of Rs.6,202,332 had been spent for demolishing and removing. Accordingly the loss incurred to the Department amounted to Rs.25,781,265.
- (iii) According to Engineering Estimate and the Plan, it was planned to construct the Unawatuna Breakwater as the sub-merged Breakwater and it was constructed 2.5 meters above the water level for easy constructions. The Procurement Committee had decided on 08 May 2013 to stop that work by removing the constructions

already done above the water level. The expenditure incurred for removing part of that amounted to Rs.1,462,000 thus it was a fruitless expenditure incurred by the Department. Even though it should be removed the constructions of 2.5 meters above water level for the success of the Sub-merged Breakwater, it had not been removed. As such sea erosions are occurring closed to the constructions.

- (iv) Construction of a Breakwater is a support for the retaining of sand in the coast. If a sand nourishment will be made it should have been constructed Breakwaters in such places before sand is nourished. But the Sand Nourishment Projects which incurred Rs.134.7 million had not succeeded due to constructions of planned Breakwaters had delayed before sand nourishment.

(b) Issuance of Licences

The following matters were observed at audit task check carried out in respect of issuance of licences.

- (i) The covering approval of the Consultancy Council had been given without following normal procedure that should be followed in issuance of licences for constructions. Further action had not been taken to obtain proper approval from the consultancy council.
- (ii) In issuing of licences for the development work of coastal line, it should be included in the licence that how far from the coastal conservation margin the constructions should be done. Nevertheless instances were observed that licenses issued without mentioning that, for the development works of Negombo Coastal line.
- (iii) Instances that damages occurred to the coastal line due to licences issued without considering the limit (without considering the limit of the coastal line) were observed.

* Even though the constructions should not be done within the 40 meters limit from coast conservation area at Moragolla, a concrete wall of 200

meters in the rearside of the hotel had been constructed. Therefore a coastal margin was not shown there.

* A Gabian wall about 170 metres length had been constructed in an another hotel at Moragolla without considering the limit of the coast conservation and the waste discharging from the hotel was released to the sea.

* Fisheries trade stall in Beruwala Town had been constructed in another place about 50 meters ahead from the licensed place in the coastal limit.

(iv) There were instances that objectives of the Department had not been achieved due to that the follow-up action had not been taken on issuing orders on demolish and removals and completion of projects.

* Even though demolishing and removing orders had been issued to a hotel, action had not been taken to demolish and remove even by 21 February 2014.

* A private canteen had been maintained in the Information Centre Building constructed in Galle.

(c) Issuance Orders to Demolish and Removal of Unauthorized Constructions

Even though 139 unauthorized constructions had been identified in Wellawatta, Mount Lavinia, Dehiwala and Bambalapitya regions in the year 2013, the evidence in respect of issuance orders to demolish and removal for those constructions had not been furnished to audit.

8.14 Human Resources Management

Approved Cadre and Actual Cadre

The position of the Cadre as at 31 December 2013 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Vacancies
	-----	-----	-----	-----
(i)	Senior Level	37	18	19
(ii)	Terriary Level	04	01	03
(iii)	Secondary Level	332	201	131
(iv)	Primary Level	174	73	101
	Total	547	293	254
		=====	=====	=====

Action had not been taken to fill 254 vacancies by the Department as at the end of the year under review.

9 Head 320 – Department of Civil Security

9:1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Department of Civil Security for the year ended 31 December 2013 was carried out in pursuance of provisions of 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 09 October 2014. 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 Responsibility 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 the

Reconciliation Statements 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 Public Finance 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 Observation

According to the Financial Records and Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) and (b) to be thereon and other major observations appearing in paragraphs 9:4 to 9:7 below, the Appropriation Account and the Reconciliation Statements of the Department of Civil Security had been prepared satisfactorily.

(a) Non-maintenance Registers and Books

It was observed at test checks that the Department of Civil Security had not maintained proper and updated registers as shown below.

Category of Register	Related Regulations
-----	-----
Register of Liabilities	Financial Regulation 214
Register of Fixed Assets	Treasury Circular No. 842 dated 19 December 1978.
Register of Computers, Accessories and Software	Circular No. 1A1/2002/02 dated 28 November 2002.

(b) Lack of Evidence for Audit

Transactions aggregating Rs.379,250 could not be satisfactorily vouched in audit due to lack of necessary evidence such as paid vouchers in the Department.

9:4 Good Governance and Accountability

9:4:1 Annual Action Plan

The department should prepare an Action Plan in terms of Paragraph 1:4 of the letter of the Director General of Public Finance No. PF/R/2/2/3/5(4) dated 10 March 2010. However, the Action Plan for the year under review had not been prepared even by 31 December 2013.

9:4:2 Annual Procurement Plan

The Annual Procurement Plan had not been prepared even by 31 December 2013 as required by the National Budget Circular No. 128 of 24 March 2006.

9:5 Assets Management

Unsettled Liabilities

The unsettled liabilities of the Department of Civil Security as at 31 December 2013 amounted to Rs.101,951,447. Those liabilities had existed for less than one year.

9:6 Non-compliance

Non-compliance with Laws, Rules, Regulations, etc.

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
-----	-----	-----

Rs.

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

- | | | | |
|-------|--|------------|---|
| (i) | Financial Regulation
94 | 97,924,615 | During the year under review,
liabilities had occurred exceeding the
savings in provisions of 18 Objects. |
| (ii) | Financial Regulations
103(1) and 104(1) | -- | Action had not been taken to
ascertain the loss and take action in
terms of financial regulations with
regard to 13 accidents caused to
vehicles during the year under
review. |
| (iii) | Financial Regulation
237(b) | 349,840 | Instead of settling the advances
granted for purchasing goods, further
a sum of Rs.29,229,290 had been
paid to the supplier in 06 occasions. |

(b) Public Administration
Circular

- | | | | |
|------|---|---------|--|
| (i) | Circular No.12/98
dated 03 April 1998 | 14,841 | Allowances relating to interviews had
been overpaid contravening
provisions in the circular. |
| (ii) | Circular No. 41/90
dated 10 October 1990 | 467,455 | A report from a qualified engineer
had not been obtained stating that
repairs had been successfully carried
out, before making payments for |

repairs to 7 vehicles.

9:7 Human Resources Management

Approved Cadre and the Actual Cadre

The position relating to the cadre as at 31 December 2013 is as follows..

Category of Employees	Approved Cadre	Actual Cadre	Vacancies	No. of Excesses
-----	-----	-----	-----	-----
(i) Senior Level	15	9	6	--
(ii) Tertiary Level	25	10	5	--
(iii) Secondary Level	21	12	9	--
(iv) Primary Level	30	26	4	--
(v) Others (Casual/ Temporary/ Contract Basis)	30	33	--	3
(vi) Civil Security Task Force	40,000	37,975	2,025	--
	-----	-----	-----	-----
Total	40,111	38,065	2,049	3
	=====	=====	=====	=====

The department had not taken action to fill 2,049 vacancies by end of the year under review.

-/dk.

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 2013 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 04 December 2014. 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 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.

10.3 Audit Observation

According to the Financial Reports and the Books for the year ended 31 December 2013, it was observed that except for the effects of the general observation appearing at (a) to (d) 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

It was observed during audit test checks that Department of Coast Conservation of Sri Lanka had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation	Observation
Register of Liabilities	Financial Regulation 214	Not maintained.
Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978	Not updated.
Register of Computer Software and Accessories	Circular No. IAI/2002/02 of 28 November 2002	Not updated.

(b) Budgetary Variance

The following observations are made.

- (i) The entire net provision amounting to Rs.390, 000 made for 02 Objects had been saved.
- (ii) Excess provision had been made for 07 Objects and as such the savings, after the utilization of provisions, ranged between 55 per cent and 93 per cent of the net provisions relating to the respective Objects.

(c) Imprest Account

An Imprest Balance of Rs.248, 939 was existed by 31 December 2013 under the Account No.7002/0000/00/0409/0013/000 of the Department. The following observations are made in this regard.

- (i) Even though Ad hoc sub- imprests of Rs.11, 025 and Rs.4, 000 obtained by two officers must be financially settled immediately after completion of the purpose, the imprests had been settled after a delay of 75 days and 27 days respectively contrary to Financial Regulation 371. Furthermore, ad hoc sub- imprest of Rs.20, 000 obtained by another officer had been retained for 13 days without being used for the relevant purpose. The possibility of misuse of public funds prevailed over failure to take action in terms of the provisions of Financial Regulations in relation to issuing and settlement of ad hoc sub- imprests of the Department.
- (ii) A staff grade officer responsible for the settlement of accounts had not been appointed by the Head of Department in terms of Paragraph I of Treasury Operations Circular No.04/2013 of 18 November 2013.

(d) General Deposit Account

A balance of Rs.188,252 existed in the Deposit Account bearing No.6000/0000/00/0015/0171/000 of the Department as at 31 December 2013. Action in terms of Financial Regulation 571 had not been taken by the Department on a deposit older than 2 years totalling Rs.33,675 included therein.

10.4 Good Governance and Accountability
-----**Implementation of Audit and Management Committee**

An Audit and Management Committee had not been established by the Department.

10.5 Assets Management

The following deficiencies were observed during the course of audit test checks of the assets of the Department.

(a) Idle and Underutilized Assets

 Goods valued at Rs.516,446 purchased in the years 2012 and 2013 had been in the stores without being issued even by 10 June 2014, the date of audit and these goods included a battery charger which had lapsed 02 years after its purchase.

(b) Conduct of Annual Boards of Survey on Motor Vehicles

 An Annual Board of Survey on motor vehicles had not been conducted and reports thereon had not been presented to the Auditor General even by 30 April 2014 in terms of Financial Regulations 756, 757 and 1647(a).

(c) Unsettled Liabilities

 The unsettled liabilities existing for a period less than one year by the Department of Coast Guard of Sri Lanka as at 31 December 2013 amounted to Rs.3, 745, 969.

10.6 Deficiencies in the Operation of Bank Accounts

 The following observations are made.

- (a) According to the Bank Reconciliation Statement prepared by the Department for December 2013, action in terms of Financial Regulation 396(d) had not been taken in respect of 3 cheques valued at Rs.6, 600 issued but outdated for payments.
- (b) Even though the bank balance in the cash book had been indicated as Rs.109, 875 according to the Bank Reconciliation Statement prepared as at 31 December 2013 by the Department, the balance according to the cash book as at that date had been Rs.111,439. Accordingly, a difference of Rs.1,564 had existed in the cash balanced based for the preparation of the Bank Reconciliation Statement.

10.7 Management Weaknesses

 The following weaknesses were observed during the course of audit test checks.

- (a) Expenditure of capital nature amounting to Rs.549, 234 incurred by the Department had been brought to account as recurrent expenditure.
- (b) Even though gifts valued at a total of Rs.346, 064 had been purchased in 12 instances for the foreign guests visiting the Department, a large amount of those gifts had been granted in personal capacity.
- (c) In examination of matters included in the daily running charts and monthly performance reports prepared by the drivers and officer in charge of the motor vehicles of the

Department, shortcomings and weaknesses such as making changes, using correction fluid, making notes with a pencil and failure in placing initials by the officer who had used the motor vehicle, were observed. Even though the daily running charts and monthly performance reports should be prepared with a copy and presented its original to the Auditor General, the Department had prepared only the original and it had not been presented to the Auditor General.

10.8 Human Resource Management

Sixty one Officers and 914 Sailors deployed in the Sri Lanka Navy had served as the staff of the Department and action had not been taken to obtain approval from the Department of Management Services for the required staff of the Department.