

## Report of the Auditor General on Head 103 – Ministry of Defence – Year 2015

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The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 103 – Ministry of Defence for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154(1) 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 25 July 2016. 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

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The Chief Accounting Officer is 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 Reconciliations Statements that are free from material misstatements whether due to fraud or error.

## 2. Accounts

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### 2.1 Appropriation Account

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Total Provision and Expenditure

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The total net provision made for the Ministry amounted to Rs.19,497.42 million and out of which a sum of Rs.14,476.71 million had been utilized as at the end of the year under review. Accordingly, the provision of Rs.5,020.71 million or 9.09 per cent of the total net provisions had been saved. Particulars are given below

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	%
Recurrent	5,676.98	5,363.53	313.45	5.52
Capital	13,820.44	9,113.18	4,707.26	34.06
<b>Total</b>	<b>19,497.42</b>	<b>14,476.71</b>	<b>5,020.71</b>	<b>25.75</b>

## 2.2 Revenue Accounts

### ----- Estimated and Actual Revenue -----

The Ministry had estimated the Revenue totalling Rs.12.50 million in respect of a Revenue Code for the year 2015 and Revenue totalling Rs.12.95million had been collected for the year under review. The Revenue had been collected exceeding the estimated revenue by 3.6 per cent. Details appear below.

Revenue Code	As at 31 December 2015			Revenue Collected as a Percentage of Estimated Revenue
	Estimated Revenue	Actual Revenue	Excess	
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	Rs. Millions	Rs. Millions	Rs. Millions	
10-03-07-05	12.50	12.95	0.45	3.6

## 2.3 Advance Account

### ----- Advances to Public Officers Account -----

#### Limits Authorized by Parliament -----

The limits authorized by Parliament for the Advances to Public Officers Account of the Ministry under Item No.10301 and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
47.48	45.16	39.48	50.30	275.00	134.99

## 2.4 Imprest Accounts

The balances of 02 imprest accounts of the Ministry as at 31 December 2015 totalled Rs.6.88 million. Details appear below.

Imprest Account Number	Balance as at 31 December 2015
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	Rs. Millions
7002/0000/00/0027/0015/000	0.33
7002/0000/00/0442/0015/000	6.55
	-----
<b>Total</b>	<b>6.88</b>
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## 2.5 General Deposits Accounts

The balances of 04 Deposit Accounts under the Ministry as at 31 December 2015 totalled Rs.97.71 million. Details appear below.

<b>Deposit Account Number</b>	<b>Balance as at 31 December 2015</b>
	<b>Rs. Millions</b>
6000/0000/00/0002/0115/000	0.81
6000/0000/00/0013/0072/000	45.97
6000/0000/00/0016/0063/000	9.85
6000/0000/00/0019/0015/000	41.08
<b>Total</b>	<b>97.71</b>

## 2.6 Audit Observation

The Appropriation Account, Revenue Account and the Reconciliation Statements for the year ended 31 December 2015 of the Ministry of Defence had been satisfactorily prepared subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant audit Observations out of the audit observations included in the Management Audit Report appear in Paragraph 3.

## 3. Material and Significant Audit Observations

### 3.1 Non -maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

<b>Type of Register</b>	<b>Relevant Regulation</b>	<b>Observations</b>
(a) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978	Not maintained for Lands.
(b) Register of Losses	Financial Regulations 110	Not maintained.
(c) Register of Liabilities	Financial Regulations 214	Not maintained.
(d) Vehicle Log Books	Financial Regulations 1645(a)	Not updated.
(e) Register of Loan and Advances	Paragraph 9(1) of Public Enterprise Circular No.96 of 10 August 1994	Not updated.

### 3.2 Replies to Audit Queries

Replies to one audit query issued to the Ministry in the year under review had not been furnished even by 23 September 2016. The value of quantifiable transactions relating to that audit query amounted to Rs.14,476 million.

### **3.3 Appropriation Account**

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#### **3.3.1 Budgetary Variance**

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Following observations are made.

- (a) Entire net provision amounting to Rs.16,66 million made for 17 Objects had been saved.
- (b) Excess provision had been made for 72 Objects and as such, the savings after utilization of provisions ranged from 25 per cent to 99 per cent of the net provision of the respective Objects.
- (c) Even though provision had been transferred by using 18 transfer certificates under Financial Regulations 66 between those Objects, the amount totalling Rs.70.92 million of them had not been utilized even by the year under review.
- (d) The reasonable reasons had not been stated in the Appropriation Account for savings amounting to Rs.165.47 million and Rs.5,917.92 million in respect of 21 Recurrent Objects and 22 Capital Objects respectively.
- (e) The interest amounting to Rs.1,540.97 million had been paid relating to the loan obtained from a state bank by the Jone Kothalawala Defence University for the construction of teaching hospital of the university. An erroneous interest expense of Rs.39.43 million had been included in that amount.
- (f) Water bills and electricity bills totalled Rs.2.26 million had not been accounted under the relevant objects and accounted under the rent and rate Object.

### **3.4 General Deposits Account**

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Action in terms of Financial Regulation 571 had not been taken in respect of deposits (except land deposits) totalling Rs.20.41 million elapsed for more than 2 years.

### **3.5 Revenue Account**

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Duties such as preparation of Revenue Estimates, collection of Revenue, Accounting and presentation of Accounts in respect of 10.03.07.05 Revenue Code of the Ministry had been assigned to the Secretary to the Ministry as the Revenue Accounting Officer of the Ministry. The following deficiencies were observed during the audit test checks carried out in respective of that Revenue Code.

- (a) According to the Revenue Account presented to audit, the arrears of revenue as at end of the year under review amounted to Rs.1.42 million and age analysis of revenue relevant to previous years had not been accurately stated. Further, the follow up actions on the recovery of arrears of revenue had been at a weak position.

- (b) The income amounting to Rs.0.62 million had been understated in the Revenue Account furnished to the audit for the year under review. Accordingly, weak positions were observed in implementing the control procedures for proper accounting of income receipts.
- (c) In terms of paragraph 07 of Circular No 01/2002 of 17 July 2002 of the Department of Fiscal Policy and Economic Affairs, performance reports of revenue had not been furnished quarterly.
- (d) In terms of paragraph (iii) of above circular and paragraph 02(i) of the circular of amendment of collection of fees issued by the Director General of the Public Finance, it should have been revised fees charged for different service on timely basis considering the changes of the economy. The gun license fees recovering under the Firearms (Amendment) Act, No.22 of 1996 and the license fees for explosives recovering under the Explosives (Amendment) Act had not been revised after the year 2000.

### **3.6 Advances to Public officers Account**

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The following deficiencies were observed during the course of audit test checks of the Reconciliation Statements as at 31 December 2015 relating to the Advances to Public Officers Account item No 10301.

- (a) According to the Reconciliation Statement presented to audit the balance that remained outstanding as at that date totalled Rs.9.89 million. Even though those outstanding balances remained over periods ranging from 1year to 30 years, the follow-up action on the recovery of outstanding balances had been at a weak level.
- (b) Outstanding loan balance amounting to Rs.3.62 million should have been received from 114 officers transferred out. Action had not been taken to recover that outstanding loan balance in terms of Budget Circular No118 of 11 October 2004. Out of that outstanding loan balance of Rs.2.72 million had to be recovered from 101 employees since the period ranging from 5 to 30 years.
- (c) The loan balance amounting to Rs.2.87 million should have been recovered from 48 deceased and retired employees. Out of which Rs.0.78 million remained outstanding from 23 deceased and retired employees over period ranging from 10 years to 24 years. An adequate data base of deceased and retired employees was not available at the Ministry.
- (d) The outstanding loan balance of 10 interdicted employees amounted to Rs.0.34 million and out of which Rs.0.13 million recoverable from 4 employees had remained outstanding for exceeding 10 years.

- (e) The outstanding loan balance of 27 employees who had vacated the service amounted to Rs.2.57 and of which Rs.1.68 million recoverable from 19 employees had remained outstanding for exceeding 10 years.
- (f) A dormant loan balance amounting to Rs.0.50 million had been shown in the reconciliation statements and of which Rs.0.29 million had been noted as recoverable from the civil security. The information about the employees relating to that loan balance had not been furnished to the Audit. The balance loan amounting to Rs.0.21 million had been existed period ranging from 12 to 16 years.
- (g) According to the CC 10 register, loan balance amounting to Rs.0.32 million of two employees had been omitted from the reconciliation statement.
- (h) A loan balance of two employees who came on station transfer to the Ministry amounting to Rs.0.65 million had remained outstanding. In terms of Budget Circular No. 118 of 11 October 2004, action had not been taken to recover that loan balance even by 14 June 2016.

### **3.7 Good Governance and Accountability**

#### **(a) Annual Action Plan**

In terms of Public Finance Circular No.01/2014 of 17 February 2014, the Action Plan of the Ministry had not been prepared and it had been furnished with a delay to the Department of Treasury Operations, the Department of National Budget and the Auditor General on 18 June 2015.

#### **(b) Annual Performance Report**

Even though the Department should table the Performance Report in Parliament within 150 days after the end of the financial year in terms of Public Finance Circular No.402 of 12 September 2012, it had not been tabled in Parliament even by 29 July 2016.

### **3.8 Assets Management**

Audit test checks carried out in respect of assets of the Ministry, the following weaknesses were observed.

#### **(a) Conduct of Annual Boards of Surveys**

Following observations are made.

- (i) In terms of Public Finance Circular No.02/2014 of 17 October 2014, the Annual Board of Survey for the year 2015 should be conducted and the reports thereon

should be furnished to the Auditor General before 31 March 2016. Nevertheless, the Ministry had not furnished those reports relating to the six divisions even by 30 June 2016.

- (ii) Even though sub units under each 11 divisions related to the Survey had been identified, number of sub units under each division exactly had not been scheduled even by date of audit 07 July 2016 and as such it could not be identified in audit whether board of survey had been conducted in respect of all such units.
- (iii) According to the sample check carried out relating to the survey reports furnished to the audit relevant to the year 2015, the Ministry had identified that there was a shortage of 11 goods items with quantifiable value related to the 7 divisions had been exited.
- (iv) According to the Board of Survey Report of the project relating e to the construction of Akuragoda three forces and security head quarters, 24088 items had been identified in disposable. It had not been identified through Survey Reports that the period of used of those items in the project work site. Further, the information of cost or value at the date of survey had not been furnished to the Audit.
- (v) As per the Board of Survey Reports furnished to the Audit for the year under review, there were 10 instances of not updating the inventory registers, 3 instances of not maintaining inventory registers properly due to not appointing responsible officers for the custody of inventory item for 3 divisions and Survey had not been carried out in 3 instances. It was observed that goods issuing notes had not been issued for 86 computer and accessories of the computer division. Thus it was observed that inventory control of the Ministry was not in a satisfactory level.
- (vi) The Board of Survey Report of State Ministry of Defence operated under the Ministry of Defense had not been furnished to the Auditor General in terms of Financial Regulation 757.

**(b) Assets given to External Parties**  
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It is observed that three motor vehicles had been irregularly released to two former government officers by the Ministry.

**(c) Unsettled Liabilities**  
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Following observations are made.

- (i) The unsettled liabilities of Rs.58.38 million as per Appropriation Account and Rs.8.37 million identified in audit test check and which were not included in the Appropriation Account were totalling of Rs.66.75 million as at 31 December 2015. An age analysis of those balances had not been presented to the Audit.

- (ii) Contrary to Financial Regulation 94, the liabilities aggregating Rs.9.04 million had been incurred exceeding net provision relating to the 07 Objects.

### 3.9 Non-compliances

#### Non-compliance with Laws, Rules and Regulations

Non-compliance with the provision of laws, rules and regulations observed at audit test checks are analyzed below.

Reference to Laws, Rules a Regulations -----	Value ----- Rs. Millions	Non-compliance -----
<b>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b> -----		
(i) Financial Regulation 104(4)	12.31	A complete report had not been furnished in connection with the sudden fire occurred in the defence head quarter project building on 15 February 2014.
(ii) Financial Regulation 218(2)	0.42	Fines had been paid as the electricity bills of the Ministry were not paid on due date.
(iii) Financial Regulation 756, 757 and 1647(b)		A Board of Survey relating to the vehicles of the Ministry had not been conducted for the year 2015 and the previous years.
(iv) Financial Regulation 1645(b), (c) and 1646		Copies of the Daily Running Charts and the monthly summery reports of the pool vehicles of the Ministry for each month had not been furnished to the Auditor General on or before 15 of the following month.
(v) Financial Regulation 702(3)		Except for Akuregoda project copies of the agreements related to the development work, supply and service of the Ministry had not furnished to the Auditor General.

(b) **Procurement Guideline of Democratic Socialist Republic Sri Lanka**

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|-----------------------|-------|--|
| (i) Guideline 5.4.11  | 2.19  | Value Added Tax (VAT) for goods and services amounting to Rs.2.19 million had been paid to 03 private companies without having tax invoices.   |
| (ii) Guideline 5.4.12 |       | The copies of the reports on Value Added Tax (VAT) collected from monthly payments made for the Ranaviru Semi Housing Project furnished to the Commissioner General of Inland revenue had not been furnished to the Auditor General on or before 15of the following month. |
| (iii) Guideline 8.9.1 | 96.73 | Purchasing amounting to Rs.96.73 million had been made during the year from 8 suppliers who had not entered into written agreements for the Ranaviu Semi Housing Project.  |

**3.10 Implementation of Project from Domestic Financing**

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The following deficiencies were observed during the course of audit test checks of the projects financed by domestic financing.

(a) **Akuregoda Defence Head Quarters Construction Project**

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Following observations are made in this connection.

- (i) In terms of Financial Regulation 03 and 04, this project had been commenced without a feasibility study on economic, financial, environmental and social factors, a plan to mitigate environmental issues and an assessment of environment impact. A total cost estimate had not been prepared in terms of Financial Regulation 20.
- (ii) Approval of the Cabinet of Ministers had been received for the estimated cost of this project amounting to Rs.25,401.82 million in the year 2011. Initial estimate had been revised up to Rs.55,602.92 by 95 per cent including a sum of Rs.43,176.32 million under stage I, a sum of Rs.10,125 million under stage II and another two activities of infrastructure facility. However approval of the Cabinet of Ministers had not been obtained for those revisions even up to 30 May 2016, the date of audit.

- (iii) The money required for the above project amounting Rs.19,817.31 obtained from selling the land of the Sri Lanka Army Head Quarters to 2 foreign companies in the years 2010 and 2011 and which had been provided by the Treasury to the Ministry in 03 instance contrary to the Article 149 of the Democratic Socialist Republic of Sri Lanka. As per the documents furnished by the Ministry, the money had been invested in Treasury Bills and Fixed Deposits through an account of a state bank. An interest amounting Rs.5,506.77 million had been earned from it during the period of 2011 to 2014. The Accountant had confirmed that a sum of Rs.12,265.98 million out of that investment had been incurred for the project activities. As per Treasury instructions a sum of Rs.13,058.09 million retained in the account had been remitted to the Treasury on 19 January 2015.
- (iv) The project office had reported that cumulative expenditure of the project was amounted Rs.11,806.26 million at the beginning of the year under review. According to the report of the Accountant (finance) of the Ministry it was amounted Rs.12,265.98 million. Reconciliation relating to this difference had not been made.
- (v) A sum of Rs.3,383.18 million incurred in the previous years had not been accounted as the expenditure, even though that expenditure had been accounted under capital expenditure in March of the year under review, the acceptable evidence had not been furnished to audit to confirm that expenditure.
- (vi) A provision amounting to Rs.7,980.90 million had been made under a Capital Object in the year under review for the activity of Rs.22,377.68 million identified and planned under 11 activities in the annual Action Plan. But, only a sum of Rs.1,761.29 million out of it had been utilized in the year under review.
- (vii) A programme of protecting from fire damages had not been implemented by the project. Due to the fire on 15 February 2015, a damage of Rs.12.31 million had been occurred to the government property and out of which a damage of Rs.6.53 million had been occurred to the construction structures.
- (viii) The contract had been awarded at Rs.606.30 million to a private architecture company to get the architectural service from 2011 on the approval of the Cabinet of Ministers without calling competitive bids for the selection of consultant firms in terms of Government Procurement Guidelines of year 2007. Even though a sum of Rs.490.57 million had been paid by the end of the year under review, written agreement had not been entered into. Project Management Unit and the Construction Management Unit had identified that this company was not up to the level professional skill and capacity for the activities of this project.
- (ix) A written agreement had been entered into with the Central Engineering Consultancy Bureau for engineering consultancy service at Rs.1556.9 million on the basis of paying 4.5 per cent out of the estimated value. A sum of Rs.1,199 million

had been paid by the end of the year under review. It had represented 77 per cent of the agreed consultancy fees.

- (x) The overall progress of the project which commenced in April 2012 had been existed at the level of 35 per cent. Work had not been controlled as per an overall project work plan. The construction work of the project had been delayed due to the stoppage of construction of the project or a period of nearly 18 (2014-2018) months, non- completion of construction within a expected time frame, due to non-introduction of work targets, delays in providing consultancy services and procurement activities.
- (xi) An additional expenditure of about Rs.326 million had been paid to 23 places taken on rent basis including the Ministry of Defence, three forces and other related institutions in Colombo district.

**(b) Persons' Identity Secretariat Office Building Project**

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The construction of 20 floors persons' identity secretariat building had been awarded to a construction company joint with an international construction company on the condition of completing within 03 years from July 2012. The agreements had been entered into with 02 private banks and 02 state banks in the year 2012 to obtain a loan of Rs.7,550 million with a 3 years grace period of loan repayment during the construction period and on the basis of 15 years pay back commencing from August 2015. The combined loan (including capitalized interest) from above 4 banks obtained amounted to Rs.8,295 million and as per the agreement accrued interest payable amounted to Rs.7,004 million had been existed by the date of completion of construction on 30 July 2015.

Following observations are made.

- (i) The information regarding the authority given to the Secretary to the Ministry to obtain loans from relevant banks and to enter into agreements, and treasury approval and concurrence had not been furnished to Audit.
- (ii) Even though repayment of loan and interest should be accounted under Object 3001 and 1701 respectively, it had been accounted under Object 2502. Thus the loan installments and the interest paid in the year under review had been shown less in the Island Financial Statements.
- (iii) A sum of Rs.14,752.75 million should have been settled as the loan and interest relating to the loan obtained by the end of year under review. That liability had not been shown under the liabilities in the Appropriation Account. Further the non-current assets valued at Rs.267.61 arisen from repayment of loan had not been included in the movement of non-current assets in the Appropriation Account.
- (iv) The cheque valued at Rs.61.26 million written as amended consultancy fee of Rs.63.82 payable to the Department of Building as the consultant of the above

project without being proper authority had been retained in hand even up to 26 April 2016, the date of audit. Even the consultancy institution had not claimed that liability.

**(c) Strategic Security Communication Network**  
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There was an activity to be achieved including providing continuous safe and alternative communication networks which is equal to the modern communication networks existing within the region of three forces and should be fulfilled on an estimate of Rs.1,192 million within the 2 years project period from 2014 to 2016. That estimate had been revised to Rs.1,297.25 million and again revised to Rs.1,854 million abnormally by the end of the year under review. As a result of this, there is a trend of increasing consultancy fees paid to the private institute. Even though one and half years of the project period had already gone by the end of the year under review, a sum of Rs.22.03 million had been paid even by 25 July 2016 and the physical progress of the project was at the level of 2 per cent. 22 generators required to be fixed after the construction of communication towers were idling during the under review. The expected results of the project was in uncertain level as non commencement of primary activities of constructing the 22 communication towers, being initial stage of the project progress and inability to complete the project within the planned period and cost.

**(d) Colombo Urban Development Project**  
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Even though provision of Rs.10 million had been made for the Colombo Urban Development Project under the capital object in the year under review, any activity had not been fulfilled and those activities had not been included in the Annual Action Plan and the Procurement Plan. A sum of Rs.0.77 million had been incurred for the maintenance of exercise lane at Biyagama in the Gampaha District.

**(e) Ranawiru Semi Housing Project**  
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Following observations are made in this regard.

- (i) The annual provision of the project had been shown under the activities in the paragraph 5.1.1.5.5 of the Action Plan of the Ministry. But targets or time frames on the quarterly basis had not been mentioned. Even though the number of selected beneficiaries had been identified as the performance factor, number of houses completed or number of houses given to beneficiaries had not been indicated.
- (ii) The expenses relevant to 06 months amounting to Rs.3.11 million had been over stated and expenses relevant to 03 months amounting to Rs.125.54 million had been under stated relating to 06 months of expenditure presented by the project operating centre were found at examination in the vote ledger details.

- (iii) A sum of Rs.136.93 million out of provision of Rs.1,000 million relevant to the project had been incurred by the Ministry as the project expenditure in the year under review. That had been done in 14 times under the 5 operating stages through the procurement committee. This activity had not been included in the annual procurement plan as procurement activities.
- (iv) A sum of Rs.190 million or 19 per cent of the provisions made for the project in the year under review had not been utilized as a result of not having a proper management.
- (v) Even though a separate Project Management Unit had not been implemented by the Ministry, according to the Action Plan, the Administration Division had been identified as the authorized Division for implementation of the project. However, any officer in that Division had not been assigned for project duties in writing even up to 26 September 2016, the date of audit.

### **3.11 Deficiencies in Operation of Bank Accounts**

#### **Balances for Adjustment**

Following observations are made.

- (a) Action in terms of the Financial Regulation 396(d) had not been taken in respect of 12 cheques valued at Rs.0.11 million issued but not presented to the Bank for payment for more than 06 months and less than one year as per the analysis of the adjustment in the bank reconciliation prepared by the Ministry of Defence for the month of December 2015.
- (b) A sum of Rs.0.23 million received in 04 cheques as income of fire arms and explosive materials for the year under review had been included in the cash book. But, that income had been omitted from documents of income received.

### **3.12 Transactions without Authority**

Provisions had not been made for the payment of allowances to the parents of the members of the Civil Security Service as per the Appropriation Act (amended) No 15 of 2015. The authority relating to the expenditure of Rs.29.93 million as per vote ledger of the Ministry accounted after on 29 January 2015 had not been furnished to the Audit.

### **3.13 Losses and Damages**

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

- (a) A damage occurred to a motor vehicle belong to the Ministry in the year 2013 had been recorded less by Rs.0.38 million in the Appropriation Account. Actions had not been taken to claim amounting Rs.1.1 million from the insurance company and to recover the loss

amounting to Rs.0.15 million from the relevant officer as per the investigation report even up to 26 September 2016.

- (b) A damage occurred to a Jeep belong to the Ministry in the year 2006 valued at Rs.0.23 million had been recovered from the officer by 26 September 2016 by the date of audit. But, it had not been recorded in the Appropriation Account and action had not been to write off a sum of Rs.0.9 million decided to be written off from the books.

### **3.14 Unresolved Audit Paragraphs**

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The joint decision taken by the Ministry of Defence and the related Institution regarding crediting income generated from three forces and Civil Security Department by providing services to third parties to Consolidated Fund which was reported in the paragraphs 3.12(f) of the Auditor General's Report of 2014 had been informed to the Auditor General on 25 September 2015. However, the details of the income earned and credited in the year had not been reported to the Audit.

### **3.15 Management Weaknesses**

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Following weaknesses were observed in audit test check.

- (a) As updating of fixed asset register and the ledger had not been maintained in terms of Treasury Circular No. 842 of 19 December 1978 it was unable to identify the number of lands owned by the Ministry, extend of lands and reasonable valuation of those lands. According to the information provided to the Audit, the confirmation letters relating to ownership of the 05 blocks of land had not been furnished to the Audit. Further, a proper programme for the administration of land had not been identified by the Ministry even as at date of audit.
- (b) Six condemned vehicles belonged to the Ministry of Defence had been sold at a price less than the estimated price on the approval of the Secretary of Defence. Accordingly, a loss of Rs.0.43 million had been occurred to the Consolidated Fund.
- (c) Though there is a specific fund called "Api Wenuwen Api" and adequate money is available in it, a sum of Rs.3.7 million had been paid from the Ministry Head to a private company for the rental of the stage, goods and services for the ceremony of donating houses built under that fund in Puthalam district. In obtaining the above service, bids had not been called for in terms of Guideline 3.4.1 of the Government Procurement Guideline.

### 3.16 Human Resources Management

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#### (a) Approved Cadre and Actual Cadre

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The position of the cadre as at 31 December 2015 had been as follows.

<b>Category of Employees</b>	<b>Approved Cadre -</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
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(i) Senior Level	55	45	10
(ii) Tertiary Level	17	09	08
(iii) Secondary Level	261	174	87
(iv) Primary Level	156	119	37
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<b>Total</b>	<b>489</b>	<b>347</b>	<b>142</b>
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The following observations are made.

The Ministry had retained 52 employees over period ranging from 7 years to 30 years without transferring out them.

#### (b) Human Resource obtained from other Parties

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Fifty three task force officers, 204 other uniform officers and 34 non uniform officers had assigned to the Ministry duties. Updated data relating to assigning staff to the Ministry had not been available in the Ministry.