

## Head 222 – Sri Lanka Army

---

### 1. Financial Statements

---

#### 1.1 Qualified Opinion

---

The audit of the financial statements of the Sri Lanka Army for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summery report containing my comments and observations on the financial statements of the Sri Lanka Army was issued to the Accounting Officer on 06 July 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Sri Lanka Army was issued to the Accounting Officer on 17 September 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Army as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

---

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### 1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

---

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Sri Lanka Army is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Sri Lanka Army and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

-----

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sri Lanka Army's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

-----

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

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had not been implemented.

Reference to the Paragraph	Audit observation	Recommendation
-----	-----	-----
1.6.1 (c)	Actions had not been taken to assess and enter 160 land plots which are belonged to the Sri Lanka Army into accounts.	Actions should be taken to recognize the Lands belonged to the Sri Lanka Army and to take into accounts.

1.6 Comments on Financial statements

-----

1.6.1 Capital Expenditure

-----

The following observation is made in the accounting process of capital expenditure relating to the financial statements.

Audit observation	Comment of the Accounting Officer	Recommendation
-----	-----	-----
According to the Format ACA 6, purchasing of non- financial assets by the Sri Lanka Army during the year under review was Rs. 1.51 billion. However Total amount of Rs. 2.03 billion had been shown as capital expenditure in the Format ACA 2(1).Accordingly different of Rs. 0.52 billion was observed and reasons for the said difference had not been disclosed in notes to the accounts.	Although the movement report included in the financial statements was prepared on accrued basis, treasury printouts were prepared on cash basis.	Reasons for the difference between the relevant amounts should be disclosed by financial statements.

## 1.6.2 Property, plants and equipment

The following observations are made in the accounting process of property, Plant and equipment.

Audit observation	Comments of the Accounting Officer	Recommendation
(a) The following assets had not been included in the statement of non-financial assets (ACA – 6) presented along with the financial statements for the year under review and as a result the value of those assets had not been included in the financial position statement of the Sri Lanka Army as at 31 December 2020.		
(i) Value of 22,640 acers belonged to 619 land plots which are being used by the Sri Lanka Army.	It was informed the Ministry of Defense and the Department of Public Accounts about 258 land plots belonged to the Sri Lanka Army 11,293 acers in extent and requested to assess the relevant land and buildings by the Department of Public Accounts. Actions will be taken to record the lands after receiving those values of assessments. Further actions will be taken to take 361 land plots 11,347 acers in extent into accounts after the acquisition of those lands.	Land belonged to the Sri Lanka Army should be assessed and should be taken into accounts and it should be disclosed about the lands which have been used by the Sri Lanka Army for long period of time even in a note to the financial statements.
(ii) Value of buildings of Rs. 77.03 billion	The value of 8,123 buildings belonged to the Sri Lanka Army amounting to Rs. 112,651,224,399 was already entered into the computerized fixed assets network system which have been maintained by the Sri Lanka Army and actions will	The value of the buildings belonged to the Sri Lanka Army should be disclosed in the financial statements.

be taken to enter the said value into the financial statements.

- |       |  |  |   |
|-------|--|--|---|
| (iii) | Vehicles valued at Rs. 13.71 billion   | For now, actions are being taken to update the details of all vehicles belonged to the Sri Lanka Army in the financial statements and the fixed assets register.                 | The value of the vehicles belonged to the Sri Lanka Army should be taken into accounts.   |
| (iv)  | Fixed assets valued at Rs. 111.22 million which had been shown as transport equipment in the statement of non-financial assets as at the end of the year 2019. | According to the financial statements prepared for the year 2016 value of bicycles amounting to Rs. 111.22 million was included in the computerized fixed assets network system. | Necessary adjustments should be made to the opening balance of the year and the values as at the end of the year should be disclosed in the financial statements. |
| (v)   | Capital developments valued at Rs. 153.5 million incurred under the expenditure code 222-01-01-2003 for the vehicles of Sri Lanka Army.                        | The value of the relevant assets was not revised in the assets register because due to capital nature repairs.   | Improvements in capital nature done to the vehicles should be capitalized and should be taken into accounts.  |
| (vi)  | The value of Work in progress amounting to Rs. 1.09 billion relating to 8 constructions which had been completed as at the end of the year under review,       | Actions will be taken to capitalize Rs. 1,092,840,481 of which were not taken into accounts as the value of buildings and to show in the financial statements.                   | Work in progress completed as at the end of the year under review should be capitalized and taken into accounts.  |
| (vii) | Work in progress valued at Rs. 492.43 million.   | The difficult of getting confirmed the constructions by each architects due to the fact that constructions are being in progress in army camps established                       | When taking the cost of working progress into accounts as at the end of the year under review, cost   |

throughout the Island is the reason for this situation. of working progress which is certified by the architect should be taken into accounts.

- (viii) Capital goods purchased to the basic War equipment warehouse Ragama amounting to Rs. 4.35 million. Actions will be taken to take the value of stocks remained in stores into accounts when preparing future financial statements. Values of capital assets remained in the stores should be capitalized and action should be taken to disclose in the financial statements.
- (b) Although dogs and related biological assets at a cost of Rs. 6.19 million had been purchased to the Sri Lanka Army during the year under review , only a sum of Rs. 2.65 million had been disclosed in the financial statements. Accordingly a value of Rs. 3.54 million had been understated in the accounts. The bills presented were not taken into accounts in the current year because those bills were related to the purchasing of assets in the previous year. The full amount of the value of capital assets purchased during the year under review should be disclosed in the financial statements.
- (c) Balance of orchards amounting to Rs. 1,044.25 million and stock of various consumer goods valued at Rs. 159.63 million purchased to Veyangoda Textile Stores had been capitalized even though those values had not been in physically or in the records. As a result, the net assets had been overstated by the value of those assets. The value of orchards was double counted and a stock of consumer materials was capitalized due to the change of expenditure codes by mistake. Capital assets belonged only to the Sri Lanka Army should be capitalized.
- (d) Instead of writing off the cost of assets from the accounts in the accounting process of disposal of assets, the amount earned by sale of those assets of Rs. 35.83 million had been written off from the balances of those assets. Actions will be taken to write off the acquisition cost of disposal assets from the financial statements for the year 2021. The acquisition cost or the assessed value of assets should be written off from the financial statements, but not the revenue earned from the disposal of assets.

- (e) The following observations are made when comparing treasury printouts with the statement of non-financial assets (ACA- 6) which had been presented along with the financial statements.
- (i) A difference of Rs.36.14 billion was observed between the total of the opening balances of non-financial assets relating to 14 types of fixed assets and the total of opening balances of treasury printouts thereof. Further there were difference of Rs. 42.74 billion between the total of opening balances of treasury printouts and the total of the opening balances of non-financial assets relating to 10 types of fixed assets. In addition, even though opening balance of Rs. 3.35 billion had been stated in the treasury printouts relating to 26 types of fixed assets, such a balance relating to those assets had not been shown in the statement of non-financial assets. Although opening balance of Rs. 25.63 billion shown in the statement of non-financial assets with respect of 22 fixed assets, such a balance had not been shown in the treasury printouts.
- (ii) A difference of Rs. 678.23 million was observed between the total of purchasing in treasury printouts relating to 10 types of fixed assets and the total of purchasing in the statement of non-financial assets relating to those assets. Further, even though assets at the total value of Rs. 1.04 million had been purchased according to the treasury
- There was a difference between the opening balances of annual financial statements and the opening balances of assets included in the CIGAS due to the fact that the Sri Lanka Army enters the cash basis purchasing into the CIGAS.
- Action should be taken to recognize and adjust the differences.
- There was a difference between the balances of the movement report prepared on accrued basis and the financial statements prepared by the Board of Finance Directors on cash basis.
- Action should be taken to recognize the differences and to adjust accordingly.

printouts relating to 33 types of fixed assets, purchasing of such assets had not been disclosed in the statement of non-financial assets. Further it had been mentioned in the statement of non-financial assets that total amount of purchasing of Rs. 636.33 million relating to 21 types of assets had been transferred, according to the treasury printouts relating to those assets, such assets had not been purchased.

- (iii) Value of disposal assets mentioned in the treasury printouts relating to 04 types of fixed assets had been understated in the statement of non-financial assets by Rs. 320.81 million. In addition even though total of disposals amounting to Rs. 16.74 billion had been mentioned in the treasury printouts relating to 12 types of fixed assets, such disposals had not been entered in the statement of non-financial assets. Further, according to the treasury printouts, even though disposals had not been mentioned in 05 types of fixed assets, disposals amounting to Rs. 4.38 million had been stated in the statement of non-financial assets. Also, value of disposal of agricultural vehicles amounting to Rs. 17.44 million had been mentioned in the statement of non-financial assets, according to the treasury printouts disposal of such assets had not been done.
- Actions will be taken to check and to make necessary corrections.
- Action should be taken to recognize the differences and to adjust accordingly



### 1.6.3 Non-maintenance of Registers and Books

-----  
Although fixed assets registers should be maintained in accordance with the Treasury Circular No. 842 dated 19 December 1978 or as per the appendix II in accordance with FR 502 (2), 1,049 buildings 2,313,614 square feet in extent valued at Rs. 80.46 billion, office equipment, Communication equipment, and other equipment valued at Rs. 6.58 billion had not been entered into a fixed assets register. Further, even though 258 land plots 11,293 acres in extent which have been used by the Sri Lanka Army over a long period of time had been entered into a register for lands, details had not been entered into a proper fixed assets register as per the above instructions.

### 1.6.4 Lack of Audit Evidence

-----  
Evidence for audit had not been presented for the transaction mentioned below.

Audit observation	Comments of the Accounting Officer	Recommendation
----- According to the statement of non-financial assets (ACA-6) presented along with the financial statements for the year under review, the value which had been taken into accounts in connection with Security Equipment, Furniture, Computer Equipment and Software, Fire Extinguishers, Kitchen Equipment, Common Goods, Sports Equipment, Boats & Other Assets was Rs. 16.05 billion. However according to the information presented to audit, the value of those assets was Rs. 23.05 billion. Therefore a difference of Rs. 7 billion was observed and reasons for those differences were not revealed to audit.	Actions will be taken to include fixed assets belonged to the Sri Lanka Army in the fixed assets register and to take into accounts under the relevant categories of assets in the financial statements.	Relevant details should be obtained after analyzing the related differences and actions should be taken to make adjustments in the accounts according to those details.

## 2. Financial Review

### 2.1 Expenditure Management

The following observations are made

Audit observation	Comments of the Accounting Officer	Recommendation
(a) The provision made for the income generating commercial projects (others) under the expenditure code 222-01-01-2509-001 amounting to Rs. 1.37 million had been completely saved.	Provision of Rs. 1,370,000 was granted in two instances for the year 2020 for income generating commercial projects under the expenditure code (222-01-1-1-2509)	Actions should be taken to prepare estimates as accurate as possible.
(b) A total sum of Rs. 800.4 million out of the net provision of Rs. 6.29 billion for 12 recurrent expenditure codes and a total sum of Rs. 509.13 million out of the net provision of Rs. 2.11 billion for 12 capital expenditure codes had not been utilized. Such savings were remained in a range of 7 per cent to 79 per cent of the net provision made.	Provisions were saved in the expenditure codes out of the provisions allocated for the last four months of the year; procurements were limited due to the limitation on imports and procurement.	- Do -
(c) A sum of Rs. 680.23 million and Rs. 210 million respectively had been transferred from other expenditure codes under the F.R.66 due to the insufficient provision made for 6 recurrent expenditure codes and 3 capital expenditure codes and provision of supplementary estimates had been done as Rs. 01 billion for one recurrent expenditure code and Rs. 30.5 million for two capital expenditure codes.	Actions were taken to transfer the provisions under the F.R. 66 Virement procedure to settle the commitments at the end of the year.	- Do -

- |     |   |  |   |
|-----|---|--|---|
| (d) | It had to be entered in to commitments of Rs. 7.01 billion as at the end of the year exceeding the net provision of 9 recurrent expenditure codes and one capital expenditure codes due to insufficient provisions.   | Sufficient provisions to settle commitments were not made by the Treasury.   | - Do -  |
| (e) | A sum of Rs. 10.5 million had been provided through the provisions of Supplementary estimates for the construction of two storied building in the Brude House Army Camp under the expenditure code 222-01-01-2104-009 and out of the said supplementary estimate, a sum of Rs. 7.05 million represented 67 per cent had been saved as at the end of the year. | This situation is occurred because the orders were not completed by the suppliers due to the COVID pandemic and liquid money was not received. | Funds should be obtained through supplementary estimates for essential matters in which expenses can be incurred. |
| (f) | A sum of Rs. 50 million had been transferred to the service (other) expenditure code 222-01-02-1409 from two other expenditure codes under the F.R. 66 and the full amount that transferred had been saved as at the end of the year.   | Sufficient liquid money was not received to settle the bills and as a result relevant provisions were saved.                                   | Provisions transferred under the F.R. 66 should be utilized.  |

## 2.2 Incurring of Liabilities and Commitments

-----  
The following observations are made

Audit observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
(a) Commitments of Rs. 468.28 million relating to 15 expenditure codes had not been disclosed in the financial statements.	Details relating to unpaid bills were obtained by the audit section and therefore a gap is occurred between the balances.	Commitments should be disclosed in the financial statements.
(b) Commitments of Rs 6.02 million as the total of two expenditure	- Do -	Only the commitments incurred by the Sri

codes which are not taken under the F.R. 94 (2) and (3) had not been disclosed in the financial statements.

Lanka Army and the commitments shown under the financial regulations should be disclosed in the financial statements.

- |     |   |  |   |
|-----|---|--|---|
| (c) | There were 395 commitments more than two months because of not taking actions according to the financial regulation 94 (1) and 214 and the value of those commitments was Rs. 50.83 million.                      | Funds were released by the Treasury only to settle the bills received up to 31.10.2020.            | Action should be taken as soon as possible to settle the commitments.   |
| (d) | Commitment of Rs. 30.34 million payable to a private institute which had been included in the statement of commitment presented along with the financial statements had not been confirmed by the said institute. | It can be a difference because some bills were not received to the Sri Lanka Army as at 31.12.2020 | Specific reasons for the differences of balances should be analyzed and immediate corrections should be made. |

### 2.3 Utilization of Provisions made available by other Departments

-----  
 The following observation is made

Audit observation	Comment of the Accounting Officer	Recommendation
-----	-----	-----
Out of the provisions allocated for seven expenditure codes for other Departments amounting to Rs. 597.08 million , only a sum of Rs. 356.87 million had been spent as at the end of the year under review. Accordingly provisions of Rs. 240.21 million had been saved and this savings were in a range of 4 percent to 79 per cent.	These savings were remained due to the COVID pandemic.	Provisions made by other Departments should be utilized.

2.4 Issuance and Settlement of Advances

-----  
 The following observations are made

Audit observation	Comment of the Accounting Officer	Recommendation
(a) According to the provisions of the section 4.3 of the Chapter xxiv of the Establishment Code , total sum of Rs. 46.06 million which should be recovered from 3995 Army Officers and 462 Civil Officers who had vacated the service over a period more than a year to 30 years as the loan balances of distress, festival and special advances had not been recovered. Out of the said loan balances a sum of Rs. 5 million had been brought forward over a period of 10 to 30 years.	Various steps were taken to recover those loan balances.	Those loan balances should be recovered immediately.
(b) The total of the loan balances which should be recovered from 25 retired army officers and 71 civil officers over a period more than 1 year to 15 years was Rs. 5.35 million. These loan balances had not been recovered as per the section 4.2 of the Chapter xxiv of the Establishment Code.	-do -	- Do -
(c) The total of balances of loans which should be recovered from 31 deceased army officers and 05 civil officers was Rs. 1.42 million and actions had not been taken to recover the said loan balances as per the paragraph 4.4 of the Chapter xxiv of the establishment Code.	-do -	- do -
(d) The total of loan balances of 7 interdicted officers which should be recovered over a period of 2 years to 7 years was Rs. 173,436.	-do -	-do -

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

---

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

Audit Observation	Non - compliance	Comments of the Accounting officer	Recommendation
Reference to the Laws, Rules and Regulations			
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulations 104 (3) (4)	Preliminary reports had not been presented for 128 vehicle accidents which had taken place since the year 2017 to the year 2019. Further full reports had not been presented for 197 vehicle accidents.	Actions will be taken to present in future.	Actions should be taken as per the Financial Regulations.
(ii) Financial Regulations 715 (1)(e), 715 (2) and 751 (1)	Receiving and issuing of more than 1,900 types of goods which had been received to and issued from the stores of electric and mechanical engineering workshop Kosgama since 01 January 2021 to 05 February 2021 had not been included in the stores bin cards maintained for each type of goods.	For now, it was entered in the bin cards and updated.	Actions should be taken as per the relevant Financial Regulations.
(b) Paragraph 3.1 of the Public Administration Circular No. 30/2016 dated 29 December 2016.	Fuel tests had not been carried out in the year under review or in the previous years in connection with 7,127	Efficiency of fuel consumption is not tested annually in the vehicles used for the duties of the	Actions should be taken as per the provisions of the relevant circulars.

vehicles which have Sri Lanka Army. been used by the Sri Lanka Army and fuel had been balanced in running charts / transport license according to the fuel consumption decided by the transport division.

2.6 Receipts of Imprest  
-----

Audit observation -----	Comment of the Accounting Officer -----	Recommendation -----
<p>Although total imprest of Rs. 197,978.3 million had been requested by the Sri Lanka Army from the General Treasury, the total impressed which had been received in cash was Rs. 189,399.9 million only. Therefore a sum of Rs. 8,578.4 million represents 4.3 per cent out of the approved limit had not been received.</p>	<p>The value of outstanding bills as at the end of every month was informed to the Treasury in the following month.</p>	<p>Requirement of imprests and the value of outstanding bills should be informed to the Treasury in advance.</p>

3. Operating Review  
-----

3.1 Planning  
-----

The following observation is made.

Audit observation -----	Comment of the Accounting Officer -----	Recommendation -----
<p>Although an action plan for the year under review had been prepared for the Sri Lanka Army, it had been</p>	<p>Action plan was prepared on the request of the Ministry of Defense.</p>	<p>Attention should be paid to prepare annual action plans.</p>

limited to the first four months of the year.

### 3.2 Procurements

-----  
 The following observations are made.

Audit observation	Comment of the Accounting Officer	Recommendation
-----	-----	-----
(a) A master procurement plan for the expected procurement activities for three years had not been prepared and number of goods and services procured had not been shown in the procurement plan which had been prepared for the year under review under the estimated cost of Rs. 29.74 billion.	Procurement plan is prepared every year.	Plans should be made as per the Procurement guidelines.
(b) It was observed in the sample audit tests carried out in relation with purchasing of fish for main supply units of the Sri Lanka Army during the year under review that 3,119 kg of types of fish valued at Rs. 2.26 million had been supplied as non-substitute rations in 11 instances without complying with agreements. Thirty eight instances were observed only in the month of January 2020 that substitutions for 962 kg of types of fish valued at Rs. 896,886 had not been supplied by suppliers and 4,162 kg of fish valued at Rs. 2.82 million had been supplied as substitutions exceeding the recommended limit of 50 per cent.	In the instances of not supplying of fish by approved suppliers of food and beverages to troops properly, while protecting the prescribed calorie intake actions were taken to prepare bills at low prices and to charge fines as per the procurement document.	Actions should be taken according to the agreements when supplying of Substitutions and attention should be paid to the nutrition and the preference of troops.
(c) Bids had to be recalled and purchasing had to be done on the prices of one bidder when purchasing of 250 Covers outer at a cost of Rs. 6.06 million because the procurement activities had not been planned in a proper time frame. Further procurement activities had been delayed about a period of 6 months and the price	Procurement activities relating to these files were delayed due to incomplete submissions of bidders.	Procurement should be planned properly and procurement should be done as to be obtained the goods and services on time



advantage which could be gained on the first time bid competition could not be obtained.

and as favorable to the government.

- |   |   |   |
|---|---|---|
| <p>(d) Goods, armed and unarmed vehicles and equipment required for 685 troops who were expected to be deployed in State of Mali for peacekeeping duties had been procured in the years 2016 and 2017. Out of those transports and other equipment, a stock of transport and equipment valued at Rs. 1.38 billion had been stored in several main stores located in various regions. Out of those stocks, a stock of 924 liters of paint valued at Rs. 1.07 million which had been purchased in the year 2016 and expired within the period from May to August 2021 was unsuitable for use. Further stocks of vehicles and equipment purchased for peacekeeping duties of which the value of those had not been disclosed had been remained idle in the said warehouses located in some places in the Island.</p> | <p>The goods and equipment which should be deployed according to the Memorandum of Understanding were deployed and further actions will be taken regarding the stocks of goods/ equipment and vehicles purchased and detained for further deployment to the state of Mali when the troops increase.</p> | <p>Procurement of goods and services should be made according to the requirement and the stock of transport and equipment of which had been purchased already should be utilized as to be gained the maximum advantage to the government.</p> |
|---|---|---|

### 3.3 Assets Management

-----

The following observations are made.

Audit observation	Comment of the Accounting Officer	Recommendation
<p>The legal ownership of 539 vehicles acquired from terrorists during the war had not been transferred to the Army and 5,534 vehicles belonging to the Army had not been insured.</p>	<p>In the future, action will be taken to transfer the ownership of vehicles that are in running condition and to obtain insurance for vehicles belonged to the Sri Lanka Army.</p>	<p>Actions should be taken to transfer the legal ownership of the acquired vehicles and to obtain insurance for the vehicles which had not been taken insurance cover.</p>

### 3.4 Losses and Damages

-----  
 The following observations are made.

Audit observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) According to the guidelines of the paragraph 10.1 of the Public Finance Circular No. 02/2020, financial statements should be prepared according to the relevant formats. However, the statement of losses and waivers and the statement of write off from books Presented along with the financial statements as note (i) and (ii) had been prepared with following deficiencies.		
(i) Losses and damages amounting to Rs. 746.34 million relating to 62 vehicles granted from the President Secretariat and destroyed by an explosion while parked in the Salawa army camp had been included in the statement of write off or waivers.	These vehicles provided by the Presidential Secretariat were not taken into the stock or the value of these vehicles was not taken into accounts in the Sri Lanka Army.	Damages occurred only to the Sri Lanka Army should be recognized as losses or waivers.
(ii) Information relating to the losses and damages occurred but not written off since the year 1987 to the end of the year under review had not been disclosed.	Information only for the damages occurred and written off during the year under review was included into.	Information should be presented according to the guidelines given for preparing of financial statements and formats.
(iii) Losses and damages which should be further recovered from the accidents taken place in the years	Preliminary estimates of 67 vehicle accidents were not released because the preliminary investigations are	Damages occurred to the vehicle should be disclosed in the formats

2017,2018 and 2019 for 222 vehicles belonged to the Sri Lanka Army had not been disclosed in the statement of losses and waivers or statement of write off from books. The estimated loss for 155 vehicles out of the said 222 vehicles was Rs. 110.4 million and the loss had not been estimated for 67 vehicles. Further information had not been disclosed in the financial statements about the recognized damages out of the damages occurred due to 63 vehicle accidents taken place during the year under review and damages occurred due to 465 vehicle accidents taken place since the year 1990 to the year 2016

- (b) Activities relating to 17 losses and damages occurred in the stores of Sri Lanka Army since the year 1992 to the year 2019 amounting to Rs. 15.69 million including misplace of weapons and equipment, destruction of motor vehicles by fire and damages occurred by terrorist attacks had been presented for the conclusion of the Commander of the Army and actions had not been taken in connection with
- being carried out in the courts and a considerable amount of time is needed to write off from the books
- submitted along with the financial statements and immediate actions should be taken to assess the losses and damages occurred to vehicles which had not yet been assessed.
- Therefore, damage was not reported in relation with 63 vehicle accidents. Action will be taken to prepare and submit the relevant register for losses and damage t from the year 2021
- After completing the examinations relating to 17 damages occurred for various assets belonged to the Sri Lanka Army, it was submitted for the conclusion of the Commander of the Army and to obtain those conclusions, further actions are being taken by the Board of Directors of Legal Services
- Immediate actions should be taken regarding the relevant losses and damages.

the said losses and damages.

- |     |   |  |   |
|-----|---|--|---|
| (c) | Preliminary investigations had been submitted to the Courts for taking actions relating to 35 losses and damages occurred to various assets including Warehouse fires, losses and damages occurred due to terrorist attacks in the state of Mali, misplace of goods and equipment in the stores, various losses and damages occurred to vehicles and equipment, and losses and damages occurred to army vehicles since the year 1987 to the year 2019 amounting to Rs. 85.48 million. However actions had not been taken in connection with those assets. | Court activities relating to preliminary investigations are being carried out and actions will be taken to complete as soon as possible. | Actions should be accelerated the court activities to take actions regarding the relevant losses and damages. |
|-----|---|--|---|

### 3.5 Management Inefficiencies

-----  
The following observations are made.

Audit observation	Comment of the Accounting Officer	Recommendation
(a) An army medicine warehouse had been established in Werahara area and this building had not been established in the standard which should be available for storage of drugs. A security camera system also had not been installed. Medical items valued at Rs. 45.6 million which needs to avoid COVID – 19, huge amount of ethanol and sanitary wares had been stored in the staircase of the building and the corrido of the upper floor Informally. There was a risk of rainwater runoff	Due to lack of space, medical supplies and sanitary items are stored outside the warehouse. This situation has arisen due to the lack of a suitable new building in the possession of the Sri Lanka Army and it was planned to construct a suitable building for the establishment of the basic medicine warehouse at	Actions should be taken to accelerate the construction of the planned drug warehouse building and to ensure that the relevant drug and medical supplies are stored without damaging the materials until then.

into the said Storage materials in rainy days. Although it had been planned to construct a store room 14,450 square feet in extent in this premises, constructions had not been commenced.

the Kotelawala Defense University Hospital premises in Werahera.

- |  |  |  |
|--|--|--|
| (b) Actions had not been taken to provide adequate deep freezers for fish storage at army camps. | Actions are being taken to provide deep freezers as per the requirement of the Sri Lanka Army. | Actions should be taken to provide adequate deep freezers. |
|--|--|--|

4. Human Resources Management

-----  
The following observations are made

Audit observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) There were 1,469 vacancies including 4 vacancies in senior level and 83 vacancies in secondary and tertiary levels in the civil staff of Sri Lanka Army.	Actions will be taken to fill the relevant vacancies.	Actions should be taken to fill the vacancies considering the service requirements.
(b) Any kind of training had not been given to 9,650 officers in the civil staff during the year under review.	Training courses could not be organized due to the pandemic situation of COVID 19.	Actions should be taken to enhance the performance through training of staff.