

Head 103-Report of the Auditor General for the year 2017- Ministry of Defence

The Appropriation Account and the Reconciliation Statements under the Head and the Expenditure Code mentioned in the First and Third Schedules of the Appropriation Act No.24 of 2016 amended by the Appropriation (Amended) Act No. 32 of 2017 and a Revenue Account relating to the Revenue Code included in 3.1.1 of the Annual Budget Estimate had been presented to audit by the Ministry of Defence. The Audit of the Financial and performance reflected by the said Accounts and Reconciliation Statements was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer, Revenue Accounting Officer and the Accounting Officer on the Financial Management and Accountability

According to the Financial Regulation 124 of the Financial Regulation of the Democratic Socialist Republic of Sri Lanka, Generating of State Revenue and Collecting of Sums Receivable to the Government and the General Check on the Supervision of all activities of the State Funds were assigned to the Minister of Finance. As per the Financial Regulation 124 (2), Chief Accounting Officers were appointed by the Minister of Finance to accomplish the said responsibility. In accordance with the Financial Regulation (125) (1) (a), The Head of the Department is the Accounting Officer of the all money transactions of his Department and Revenue Accounting Officer had been appointed by the Treasury. This responsibility is included planning, implementing and conducting the internal controls relating to maintain, prepare and fair presentation of Accounts and Reconciliation Statements presented after performing their duties within the limitations enacted by the Parliament in accordance with article 148,149,150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Regulations, Government Financial Regulations and Administration Regulations.

1.3 Scope of Audit

The audit of the Ministry of Defence – Head 103 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary to the Ministry in due cause. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports presented to Audit and test of samples of transactions. The scope and extent of such review and tests were such as to enable as wide audit coverage as possible within the limitations of staff, other resources and time available to me.

1.4 Audit Observations

The audit observations of the Ministry of Defence for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.15 of this report. It was observed that accountability as the Chief Accounting Officer had been satisfactorily executed to ensure the adequacy of the Financial administration subject to the following summarized audit observation revealed in the execution of the provisions of the Financial regulation 127 of the Financial Regulations of the Democratic Socialist Republic Of Sri Lanka.

Financial Regulation 127 Accountability of Chief Accounting Officer	Non -compliance with the Direction of the Chief Accounting Officer/ Accounting Officer	Reference to the paragraphs of the report of which the observation included
127(1) (a). All financial work should be planned as to be confirmed the correctness and the financial priority	<ol style="list-style-type: none"> 1. Action plan had not been prepared properly. 2. Procurements not being planned adequately. 3. Registers and books not being maintained. 	<p>2.1.1</p> <p>2.3.1</p> <p>2.13</p>
127(1) (b). Providing a methodology for allowing sufficient control for collecting state revenue and expenditure	<ol style="list-style-type: none"> 1. Unresolved audit paragraphs 2. Deficiencies of human resources management 	<p>2.7</p> <p>2.14</p>
127 (2) Existing items of expenditure as well as proposals for new or increased expenditure in the departments under his control should be closely examined in the Ministry from the points of view of economy and efficiency.	<ol style="list-style-type: none"> 1. Delays in fulfilling project 2. Performance of local funded projects. 3. Deficiencies of implementing procurement process 	<p>2.1.2</p> <p>2.2 (a)</p> <p>2.3.2</p>

127 (3)	Preparing a methodology that all cases of doubt or difficulty are referred to him as to bring his own administrative experience and judgment.	<ol style="list-style-type: none"> 1. Documenting Assets 2.4 (b) 2. Deficiencies of vehicle utilization 2.5 (e) 2.4 (c) 3. Deficiencies of utilization of vehicles under financial and operation lease 2.4(d) 2.4 (f) 4. Idle and underutilized assets
127(4)	Appropriation accounts are duly rendered by each of his accounting officers and examined at the Ministry before he signs them and important differences in the estimates and actual expenditure are critically investigated by him	<ol style="list-style-type: none"> 1. Annual performance reports not being presented. 2.1.3 2.5 (a) 2. Deficiencies of the statement of commitments and liabilities. 2.6 (b) 3. Enter in to liabilities exceeding the approved limit. 4. Deficiencies in General Deposit accounts. 2.11 5. Deficiencies in operating bank accounts. 2.12
127 (5)	Important variations between departmental estimates and expenditure receive critical examination at the Ministry	<ol style="list-style-type: none"> 1. Non-utilization of provisions made 2.8(a) 2. Over provisions 2.8 (b) 3. Non utilization of Financial Regulations 66 2.8 (c) Transfers 2.8 (d) 4. Transferring provision to other expenditure item without utilizing. 2.8 (e) 5. Utilization of provisions made by other Ministries
127 (6)	Collection of revenue or other government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry	<ol style="list-style-type: none"> 1. Deficiencies of Revenue Accounts 2.9 2.10 2. Deficiencies of Advance to Public Officers account
127 (7)	Procedure laid down in Financial Regulations 103 to 108 is followed by the Accounting Officers, in case of losses caused to Government by the delays, negligence, fault or fraud on the part of	<ol style="list-style-type: none"> 1. Losses and Damages 2.6 2. Bond deposits not being obtained from the officers who is attached to the financial duties. 2.15

officers/employees responsible for such losses, in terms of F.R156 (1). It's also a duty of the Chief Accounting Officer to appear before the Committee on Public Accounts and to assist it along with his Accounting Officer in explaining and justifying the accounts of the departments for which he is responsible.

2 Significant and Adequate Audit Observation

2.1 Performance

2.1.1 Planning

According to the Public Finance Circular No. 01/2014 dated 17 February 2014, there were 14 main key functions which should be full filled by the Ministry and action plan had been prepared by 14 Statutory Institutions and 01 Fund under the Ministry for achieving expected results.

The following deficiencies were observed in this regard.

- a) Activities relating to full fill the objectives of monitoring private security services and firearms and explosives had not been included in the action plan for the year under review. Accordingly activities such as formulate the legal frame work for training security officers , Amending the Regularization of Private Security Agencies Act No. 45 of 1988 and providing provisions for monitoring institutes for which self-security services are conducted and amending fees charged under the Firearms (Amended) Act No.22 of 1996 etc. had not been included in the annual action plan.
- b) Activity plan for the year under review which were prepared in accordance with priorities based on the annual budget relating to the Civil Security Division, Construction project of Defense Headquarters, Half built Housing Scheme for war heros and National Cadet corps, time frame in which should be implemented and the expected outcome/ results had not been mentioned in the action plan.

- c) Budgeted estimates and financial targets relating to the activities which should be fulfilled in 6 Sections of the Ministry had not been mentioned.
- d) Activities of the Api Wenuwen Api Aramudala of which a Statutory Fund under the Ministry had not been included in the action plan.

2.1.2 Key functions not executed adequately

Delays in fulfilling Projects

The following observations are made in this regard.

a) Strategic Security Communication Network Project

Activities such as constructing 22 self-aid communication towers in selected 22 places in the island and supply and instantiation of 22 power generators in order to supply of continuous security and alternative communication network equal to the modern communication system prevailed in the zone between the Armed Forces, establishing a common communication bedrock consists with 37 micro wave connections and a network management system were expected to be full filled under this project.

Observations in this regard are given below.

- (i) As the reasons for the lower performance of the project, it had been mentioned in the progress reports that issues such as procurement committee meetings had to be postponed ,delays in obtaining relevant special approvals from Civil Aviation Authority, Urban Development Authority and Central Environment Authority in respect of places in which the towers should be established , delays in the construction of huts for electric generators, procurement of microwave communication system had to be recalled.
- (ii) Activities had been planned to complete under the midterm expenditure framework from 2014 to 2016 on the project estimate of Rs. 1,192 Million which had been approved in the year 2013.A sum of Rs. 60 million had been incurred as at the end of the year under review and the project period had got extended in 2 instances.

- (iii) Procurement for supplying of 37 connections of micro wave broadcasting with a network management system of which the cost estimate was Rs. 865.8 million had not completed even up to the end of the year under review.

b) Project for construction of Defense Headquarters

A main building complex, a communication building, a security building, a sewage system, and a water pump house under the stage I and messes for 500 officers of armed force and 6100 other residential ranks and permanent residents including other external elements under the stage II were being implemented on priority base. The revised total cost estimate in this regard was Rs. 55,602.92 Million and the total project expenditure incurred as at 31 December 2017 was Rs. 19,004 Million.

The following observations are made in this regard.

- (i) Utilization of budgeted provisions for the year under review and the preceding 02 years was in a lower level. Details are given below.

Year	Provision	Utilization	Savings	Utilization as a percentage of the provision
-----	-----	-----	-----	-----
	Rs. Million	Rs. Million	Rs. Million	%
2015	7,980	1,763	6,217	22.04
2016	5,996	2,893	3,103	48.04
2017	3,922	2,084	1,838	53.16

- (ii) In respect of the sample of 18 contract activities examined physical and financial targets could not be achieved as expected during the year under review due to the delays of procurement activities and supplying and fixing activities. Those delays were in a range of 206 to 922 dates.
- (iii) Additional requests of Rs. 486.64 Million had been made by 5 contractors as at 31 December 2017 for increasing cost of extension of time.
- (iv) After removing the Sri Lanka Army headquarter building from the Galle face area, various offices of Sri Lanka Army located in that building had been established in buildings belonged to the Government and the private sector situated in the Colombo city and suburban areas. So that 555,036 square feet from buildings in 10 places had been rented out as at 31 December 2017 and a sum of Rs. 1,293 Million had to be spent in this regard.

- (v) The service of private company appointed to carry out consultancy for architecture on the Cabinet Approval Since the year 2011 without considering the provision of the Government Procurement Guideline and deviating the competitive bidding, had been terminated by the Cabinet on 29 June 2016 due to the poor performance. It had not been entered in to written agreements with the relevant company and a sum of Rs 158.30 Million which had been recommended to recover by the reports of the Committee appointed later had not been recovered even up to 31 December 2017. Further the said activity had been assigned to the Central Engineering Consultancy Bureau for which the engineering consultant of the project. However it had not been entered in to agreements even up to the end of the year under review.
- (vi) The Central Engineering Consultancy Bureau had agreed in the year 2014 for the engineering consultancy service at contract value of Rs.1, 556 Million for the period of 5 years from the year 2011. Although the period of the agreement had expired on 30 October 2016, consultancy service was being received up to the end of the year under review without being extended the period of the agreement. Even though the total physical progress of the project as at that date was 39 per cent, a sum of Rs. 1,136.57 Million represented 73 per cent had been paid.
- (vii) Window locks were out of order due to the manufacturing errors of locks, relating to the contract for creating supplying and fixing aluminum window system of building 06 and 07. However rectifications had not been done even up to 31 December 2017. Contract of electric lift of the building 6 and 7 which should be completed in January 2016 had not been completed and fixing of electric lift in building 08 which had granted on 03 December 2014 was in the primary level.
- (viii) An additional financial liability of Rs.38.12 Million had arisen to extent the warranty period of equipment due to the delay of the contract relating to the central voltage electricity distribution system of buildings.
- (ix) Progress of the contract for fixing fire security system in 6 and 7 buildings which had agreed on 27 October 2014 and should be finished in the year 2015, was in a lower level. Progress of mechanical , engineering, water pipes and information technology was in diminished due to delays of preparing estimated technical specifications, recalling on appeals, delays in granting approvals and delays in preparing coordinating plans relating to the main procurement activities such as fixing sealing ,laying tiles in common areas, laying tiles in bathrooms and toilets, fixing accessories, wooden roof with patterns . The entire physical progress as at 31 December 2017 was 47 per cent.

c) Personal Identification Secretariat Office Building Battaramulla

A loan of Rs. 7,550 Million had got approved by the Ministry of Defense in the year 2012 from local sources for the construction of Personal Identification Secretariat Office Building Battaramulla. The loan obtained from banks as at 14 July 2017 was Rs. 8,784.62

Million including the funds utilized amounting to Rs.7,512.25 Million and the interest capitalized amounting to Rs.1, 272.37 Million. This loan should be settled in half year installments up to August 2030 and a sum of Rs.7, 395.95 had been shown under the liabilities of the Appropriation Account as the payable balance of loan as at 31 December 2017.

The following observations are made in this regard.

- (i) Provisions were being granted on the budgeted provision for paying loans and interests. According to the standard expenditure codes relating to local loans, interest payment of Rs. 949.70 Million relating to the year under review should be shown under the 1601 expenditure item and payment of loan instalments of Rs.563.32 Million should be shown under the expenditure code 3001. However expenditure item code 1409 for interest payments and expenditure item code 2104 for payments of loan installments had been used for obtaining provisions from 2017 annual estimates and keeping accounts.
- (ii) Although the cabinet approval had been granted in the cabinet meeting held on 28 March 2017 to include the initial loan amount of Rs.7, 550 Million to the government loan register, it had not considered to make adjustments to the loan interest of Rs. 1,272.37 Million which had been capitalized in the grace period of repayment.
- (iii) Interests were being paid since August 2015 and even though the average weight priority loan rate calculated from January 2016 to 31 December 2017 was 8.9 per cent, the actual rate was in a range of 8.5 per cent to 13.12 per cent.
- (iv) The building had been rented out to 6 State Institutions since the year 2016 without a rent agreement. As a result of the electricity supply obtained by 2 institutions mentioned above without having a proper approval, the risk can be occurred to the data base and the electricity system installed in floors had been informed to the Ministry by the relevant electricity company.
- (v) A sum of Rs.417.66 Million had been incurred for planning, designing and initial engineering activities of the building and those plans and door locks had not been taken over from the contractor by the consultancy engineering institute and had not been handed over to the present maintenance unit of the building.

2.1.3 Annual Performance Report

Annual performance report which should be tabled in the Parliament within 150 days after the close of the financial year as per the Public Finance Circular No. 402 dated 12 September 2002, had been tabled in the parliament on 17 July 2018.

2.2 Implemented Local Aid Funded Project

A total provision of Rs. 600.62 had been made by the Ministry in the year under review for 5 local funded projects and out of that a sum of Rs.238.00 Million had been utilized. Accordingly a sum of Rs.362.62 represented 60 per cent of the provision made had been saved.

The following observations are made in this regard.

- a) Due to the reason that imprest not being obtained adequately for utilization of provisions made by the annual budget , utilization of provisions of the projects of construction of Central Bullet Stores of Army and installation of National Cyber Security System was in a lower level and due to the delays of the procurement of Humanitarian Search and Rescue Capacity project sums of Rs. 175.19 Million, Rs.1.76 Million and Rs.28.26 Million had saved respectively.
- b) Although provisions had not been made for the construction of War heroes Resources Center, for War Heros a sum of Rs. 13.12 Million had been transferred under the Financial Regulations 66. Although it had been reported that out of that provision a sum of Rs 9.82 Million had been incurred for purchasing goods as at 31 December 2017, only a Rs. 7.36 had been taken in to accounts.

2.3 Receiving Supplies and Services through the Procurement Process

Provision of Rs. 10,154.73 Million had been made by the Ministry for obtaining supplies and services through the Government Procurement Guidelines and out of that a sum of Rs. 5,906.36 Million had been utilized.

2.3.1 Procurement Planning

Out of the provision of Rs.400 Million made in the year 2017 for the Half built Housing Scheme project for War Heros Hadala a sum of Rs. 374.79 had been incurred without preparing procurement plans. According to the Supplementary No.33 of the procurement Guideline 2.14.1 when shopping procedure is followed, 3 instances were observed that the Ministry Procurement Committee had granted the approval exceeding the approved authority limit.

2.3.2 Implementation of Procurement Process

a) Purchasing of Raw Coconuts to the Armed Forces for the year 2017

When determining the annual requirement of raw coconuts of 92 camps of Sri Lanka Army, 19 camps of Sri Lanka Navy and 25 camps of the Sri Lanka Air force for the year 2017, coconut harvest received from the lands with coconut cultivation located in armed camps had not been considered. However in that procurement, the Secretary to the Ministry of Defense had determined to increase the agreed price per one kilogram of coconut as Rs. 65. As a result, a sum of Rs. 171.73 Million had been paid exceeding the agreed price as at 31 December 2017. The Standing Procurement Committee for food procurement for the year 2018 appointed by the Cabinet had granted the approval for the said price increase in the year 2017.

b) Purchasing of 75000 pair of high leg boots for the use of Sri Lanka Army

The following observations are made

- (i) The Procurement Committee appointed by the Cabinet for purchasing 75000 pair of black shoes had cancelled the samples presented by the bidders in the international competitive bidding process in the year 2016 due to the fact that the samples were not comply with the specifications. However bids had been called again on the international competitive bidding process in the year 2017 and instead of the second lowest bidder approved by the procurement committee, it had determined to award the contract to the lowest bidder at Rs. 201.75 Million (Exclusive VAT) on the decision of the Appeal Committee.
- (ii) Deficiencies were observed such as revising and simplifying criteria included in bidding documents as favorable to the bidders after calling bids for the procurement and priority of evaluation criteria not being given for evaluating the production capacity and the production reports as possible as to obtain the required amount of shoes continuously. In addition, deficiencies such as the selected bidder had amended his article of the company on 25 January 2017 and accordingly this company not being participated in manufacturing of shoes or any other relevant activity before 25 January 2017, in a ground of the sample presented by the lowest bidder had failed the relevant examinations, the said sample had referred to another institute for retesting and an equal opportunity had not been given to the bidder selected on the decision of the procurement committee to explain in appeals were observed.

c) Procurement of food for Armed Forces

The following observations were made in the test consisted with 1,042 samples carried out in respect of 148 bids for the Army, 381 bids for the Air force and 513 bids for the Navy out of 10,083 bids presented for the year 2018 in the procurement process carried out during the year under review for supplying food for the Sri Lanka Armed Forces for the year 2018.

- (i) Although the procurement process had been commenced on 21 April 2017 it had not been completed as to be implemented in January 2018. Further the contract value of awarding food supply contracts had decreased regularly from the year 2014 to the year 2017. Nevertheless the proposed procurement contract value for the year 2018 had increased by Rs. 2,522 Million as Rs. 909 Million for the Sri Lanka Army, Rs.1, and 401 Million for the Sri Lanka Navy and Rs.212 Million for the Sri Lanka Air force.
- (ii) It was observed that the appointments of 2 members appointed to the Technical evaluation Committee were in a problematic situation.
- (iii) According to the sample tested, it was observed an adverse financial effect of Rs. 69.14 Million totally due to the reasons such as obtaining information to decide the fair price of the market not being carried out in an independent accepted and specific base, those prices not being prepared in a logical base, market criteria which should be considered in making decisions of the fair market price and specific methodologies for making decisions of those prices not being prepared for the evaluation process of bids, comparing prices using only the fair price of the market, decided prices which were lower than the fair price of the market were being rejected as considered as unrealistic but being considered again in some instances, rejecting bids which had not been mentioned the camp specifically considering as a major deviation of the procurement guideline.
- (iv) Variations were observed in evaluating procurement of perishable food such as frozen food and meat, Fish and the methodology selected to examine stores and cool room facilities was not clear to audit.
- (v) Although it had mentioned that if there were adverse records against to the bidder for prior supplies, all bids or one bid or much amount of bids will be rejected in the evaluation process based on that matter, it was observed that those records of substantial suppliers had not been taken in to consideration when evaluating bids.

d) Purchasing Furniture for Defence Service School

Furniture valued at Rs. 9.43 Million had been purchased to the Defence Service School Kurunagala without entering in to supplies contract agreements as per the Section 8.9.1 of the Procurement Guideline and deficiencies of bid bond which should be considered as major deviations as per the Section 5.3.13 of the procurement Guideline had been considered as minor deviations in the evaluation process.

2.4 Assets Management

The following observations are made

a) Relevant schedules for the value of Rs. 3.16 Million reported as dispose/sale as per the Section 4 of the Public Finance Circular No. 438 dated 13 November 2009 were not made available to audit thus the accuracy of those values could not be examined.

b) Documentation of Assets

Information of assets which had been called by the office of the Comptroller General under the Ministry of Finance and Mass Media as per the Treasury Circular No.842 dated 19 December 1978, fixed assets register for computer accessories and software, as per the Financial regulation 1647 for maintaining lists of vehicles, and as per the Assets Management Circular No.01/2017 dated 28 June 2017 had not been submitted.

c) Vehicle Utilization

There were 86 vehicles in the Ministry as mentioned below as at the end of the year under review and those vehicles had been driven 1,188,243 Kilometers. A total sum of Rs.35.59 Million had been spent as a sum of Rs. 13.97 Million for fuel and lubricant, a sum of Rs. 2.58 Million for the service of vehicles, a sum of Rs. 16.09 for repairs of vehicles and Rs. 2.95 Million for vehicle transport service (Insurance). Accordingly a sum of Rs.29.96 per kilometer had been incurred by the Ministry for driving vehicles excluding drivers' salaries and allowances.

d) Utilization of vehicles under the Financial and Operating Lease

Two luxury busses with special facilities valued at Rs. 35.90 Million which had been obtained under the finance lease had been handed over to the Ministry of Defense by the Ministry of Foreign Affairs on 08 June 2016 and those busses had been transferred to the Sri Lanka Army and Sri Lanka Navy on 14 July 2016. The payable amount of operating lease loan of Rs. 7.75 Million and the interest of operating lease of Rs. 0.49 Million had not been disclosed as liabilities.

e) **Conducting Annual Board of Surveys**

The following observations are made

- (i) According to the Public Finance Circular No. 05/2016 dated 31 March 2016 annual board of survey for the year 2017 should be carried out and as per the paragraph 3.1.6 of the said Circular those reports should be submitted to the Auditor General before 17 March 2018. However 2 projects and 2 institutes under the Ministry had not been submitted survey reports.

- (ii) According to the survey reports of the training center of the National Cadets Force, 1,638 firearms of the Rantambe arms stores had not been taken in to registers properly and 17,250 uniforms of Navy, Air force and Police which were not suitable for use had remained over a long period. Further it was observed that inventory register had not been maintained properly in 13 places including the Headquarters.

f) **Idle and Underutilized Assets**

Ten electric generators purchased and fixed at Rs.15.69 Million in the year 2016 and 12 electric generators purchased at Rs.18.80 million of which the construction of huts had not been completed had remained idle in transmissible centers as at 31 December 2017.

2.5 Commitments and Liabilities

The following observations are made

a) **Statement of Commitments and Liabilities**

- (i) Differences of Rs.6.62 Million were observed between the values of liability relating to the Ministry which had shown the statement of liability in the Appropriation Account and 5 institutes under the Ministry and the values submitted by the relevant institutions.

- (ii) An additional sum of Rs. 486.64 Million requested by 5 contractors on 12 time extension claims in the years 2016 and 2017 relating to the project for construction of Defense Headquarter Complex had not been shown under the liabilities.

b) Incurring Commitments exceeding the Approved Limit

Contrary to the terms of the Financial Regulation 94, it had been entered in to commitments amounting to Rs.9.97 Million exceeding the savings of net provision in the year under review.

2.6 Losses and Damages

Information relating to the steps taken regarding the loss of Rs.12.31 Million arisen in the damaged caused by the fire on 11 February 2014 in the building premises which had included in the cost of the project for construction of Defense Headquarters shown in the Appropriation Account as at 31 December 2017 had not been reported to audit.

2.7 Unresolved Audit Paragraphs

According to the instructions of the Committee on Public Accounts held on 22, 23, and 24 July 2016 and 10 August 2016, a specific methodology should be prepared by the Armed Forces for credit the revenue earned through the services supplied to external parties to the Consolidated Fund. However such methodology had not been prepared even up to the end of the year under review.

2.8 Utilization of Provisions made by the Parliament to accomplish Duties

Details relating to the provisions made to the Ministry, utilization and savings for the period of 5 years ended as at 31 December 2017 and the audit observations in this regard are given below.

Year	Expenditure Category	Net Provision	Utilization	Savings	Savings as a percentage of Net Provision
-----	-----	-----	-----	-----	-----
		Rs.Million	Rs. Million	Rs. Million	%
2013	Recurrent	10,867	9,170	1,697	16
	Capital	18,725	12,507	6,218	33
	Total	29,592	21,677	7,915	27
2014	Recurrent	5,354	5,314	40	1
	Capital	20,273	14,202	6,071	30
	Total	25,627	19,516	6,111	24
2015	Recurrent	5,677	5,364	313	6
	Capital	13,820	9,113	4,707	34
	Total	19,497	14,477	5,020	26
2016	Recurrent	5,936	5,694	242	4
	Capital	11,551	7,458	4,093	35
	Total	17,487	13,152	4,335	25

2017	Recurrent	12,273	8,993	3,280	27
	Capital	9,822	7,258	2,564	26
	Total	22,095	16,251	5,844	26

Appropriation Accounts

The following observations are made

a) Non-Utilization of Provisions made

The total net provision of Rs. 61.52 Million made for 11 expenditure items had not been utilized for any purpose and completely saved. Further out of the provision transferred under the Financial Regulation 66 for 27 expenditure items, a sum of Rs.389.48 had not been utilized.

b) Making Over Provision

Over provision aggregating Rs.5, 428.79 Million had been made for 79 expenditure items and out of that total sum of Rs. 4,983 had only been utilized. Hence the savings were in a range of 10 per cent to 97 per cent of the net provision.

c) Non-Utilization of Financial Regulation 66 Transfers

It was observed that there was a material amount of savings of Rs. 2,159.61 Million from 14 expenditure items after transferring provision to other expenditure items as per the Financial Regulation 66.

d) Providing Provisions for New Project Proposals

Provision of Rs.206 Million had got provided for implementing new projects through Financial Regulation 66 and 69 and additional provisions without making token provision as per the Financial Regulation 230 and out of that only a sum of Rs. 125.42 Million had been spent during the year under review.

e) Utilization of Provisions Received from Other Ministries

According to a feasibility study obtained from the Sri Lanka Sustainable Energy Authority even though the Cabinet Approval had been granted on 11 October 2016 to install a solar power system in the Defence Academy of Colombo out of the provision of Rs. 30 Million made by the Ministry of Education, procurement activities were in its primary stage as at 31 December 2017.

2.9 Estimated and Actual Income

A sum of Rs.21 Million had been estimated as revenue under the 10.03.07.05 revenue code for the year under review by the Ministry and revenue of 29 Million had been collected during the year under review. It was 138 per cent of the estimated revenue.

The following observations are made in this regard.

- (i) The total of outstanding revenue was Rs.1.50 Million and it was related to a period in a range from 01 year to 03 years. Follow up actions for recovering outstanding revenue were in a feeble condition and mid-year reports for outstanding revenue had not been furnished.
- (ii) Duties relating to the amendment of provisions of the Act as assigned the power to the Minister for revising fees charged under the Firearm (Amended) Act No.22 of 1996 had not been accomplished even in the year under review.
- (iii) Actions had not been taken even up to the year under review for maintaining computer system including data in respect of issuing and using of license relating to 22 activities and data relating to approved and issued in respect of explosive of the Civil Security Division and the Assistant Explosive Control offices in districts.

2.10 Advances to Public Officers Account

Limitations imposed by the Parliament

Limitations imposed by the Parliament for the Advances to Public Officers Account under the Subject Code 10301 relating to the Ministry and the actual values are given below.

Expenditure		Receiving		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
85.00	84.89	45.00	46.66	275.00	173.74

Recovering of Outstanding Balances

According to the reconciliation statements presented to audit, the total of outstanding balances except transferred officers was Rs. 4.68 Million. Even though those balances had remained over a period from year 0 to 26 years it had failed to recover those outstanding balances.

2.11 General Deposit Account

The total of the balances of 3 general deposit under the Ministry as at 31 December 2017 was Rs. 236.37 and according to the Financial Regulation 571, actions had not been taken in respect of 8 deposits of Rs.2.30 Million included in the balance of the general deposit account No. 6000/0000/00/0016/0063/000 as at 31 December 2017 which had remained more than 2 years.

2.12 Operations of Bank Accounts

Actions had not been taken as per the Financial Regulations 396 (d) in respect of 5 cheques valued at Rs. 0.56 Million remained more than 6 months which had included in the cheques issued but not presented to the bank valued at Rs. 1.02 Million as at 31 December 2017 relating to 2 bank accounts maintained by the Ministry in the year 2017.

2.13 Non –maintaining of Books and Records

It was observed in sample audits that the following registers had not been maintained by the Ministry.

	Type of Register	Relevant Regulation
(a)	Register for Losses and Damages	Financial Regulation 110
(b)	Register of Official Telephone	Financial Regulation 845 (1)
(c)	Security Register	Financial Regulation 891 (1)

2.14 Human Resources Management

Approved Cadre, actual Cadre and expenses for personal emoluments

The following observations are made

- a) Details relating to the approved cadre for performing functions of the Ministry, actual cadre and the surplus staff are given below. A sum of Rs. 219.78 Million had been incurred by the Ministry for the expenditure code of personal emoluments for the year under review. Accordingly expenditure per person was Rs.633, 387.
- b) According to the information presented to audit as at 31 December 2017 members of Armed Forces had been attached to the duties of the Ministry as follows.

	Employees Category	Approve cadre	Actual Cadre	Vacancies
	-----	-----	-----	-----
(i)	Senior Level	63	51	12
(ii)	Tertiary Level	10	04	06
(iii)	Secondary Level	252	167	85
(iv)	Primary Level	155	121	34
(v)	Others (Casual/Temporary/Contract basis)	04	04	-
		-----	-----	-----
	Total	<u>484</u>	<u>347</u>	<u>137</u>

Vacancies of One post of Deputy Explosive Controller and 2 posts of Deputy Additional Explosive Controller could not be filled since the year 2012.

Force	Officers	Other ranks	Total
Army	62	146	208
Navy	6	47	53
Air Force	9	44	53
	-----	-----	-----
Total	<u>77</u>	<u>237</u>	<u>314</u>

Official relating to 41 posts of State Management service in respect of versions sections of the Ministry were being fulfilled by the uniform staff.

2.15 Security of Public Officers

Officers who are administratively responsible for public money or stores, should be given security in accordance with the Chapter 612 of the Public Officers (Security) Ordinance and the financial Regulation 880. However officers of the Ministry had not given securities even up to the end of the year under review.