

Head 103 Ministry of Defence

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Ministry of Defence for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 summarized reports on the financial statements of the Ministry of Defence to be submitted in terms of the paragraph 11(1) of the National Audit Act No. 19 of 2018 which contained my comments and observations had been submitted to the Accounting Officer on 31 May 2019. The detailed management report of Ministry of Defence to be submitted in terms of the paragraph 11(2) of the National Audit Act No. 19 of 2018 had been submitted to the Accounting Officer on 31 May 2019. This report in pursuance of provisions in Article 154 (6) of the Constitution read in conjunction with paragraph 10 of the National Audit Act No. 19 of 2018 is presented to the Parliament.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of Ministry of Defence as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Chief Accounting Officer for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of paragraph 38 of the National Audit Act, No. 19 of 2018 for such internal control as management determine 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, Sri Lanka Air Force is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of Ministry of Defence.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in Ministry of Defence and carry out periodic reviews to monitor the effectiveness of such

system and accordingly make any alterations as required for such systems to be effectively carry out.

1.4 Auditor's Responsibility for 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 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Ministry of Defence.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements 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

As required by Sub-section 6 (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings.

- (a) As there was no requirement of preparation of financial statements for the preceding year, I could not state that the financial statements of the year under review are consistent with the preceding year.

- (b) As there was no requirement of preparation of financial statements by the Ministry of Defence for the preceding year, recommendations on financial statements had not been made in this Report.

1.6 Comments on the Financial Statements

1.6.1 Non-compliance of the financial statements with the circular instructions

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
It was observed that capital assets valued at Rs.3,400.75 million acquired during the year under review had not been shown in the Statement of Non-Financial Assets under the Format ACA 6.	Information required to be submitted under the Format ACA 6 as per the State Accounts Circular No.267/2018 of 21 November 2018.	All the balances remained as at 31 December 2018 had been recorded, due to instructions issued by the Department of Treasury Operation to enter all the assets remained as at 31 December 2018 again by removing all the value of the fixed assets from the CIGAS programme.

1.6.2 Accounting Deficiencies

(a) Receiving of Income

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(i) Eventhough explosive material and fire arms income of Rs.22.60 million had been shown as brief income in the forecast income estimates, it was unable to check the accuracy of the income estimates, due to lack of information on the estimated income under the each sources.	Action should be taken to prepare forecast and estimates pertaining to the explosive material and fire arms income account as per the Circular No.2002/01 of 17 July 2002 of the Department of Public Finance Policy and Economic Affairs.	Action should be taken to prepare a detailed estimate by the Civil Security and Development Section in future.
(ii) Income aggregating Rs.2,518.29 million had been accounted as income of Rs.684.31 million from the Sri Lanka Army and Rs.1,833.98 from the Sri Lanka Air Force		Details on income received form United Nation Peace Keeping Operations had been obtained from the Sri Lanka Army and Sri Lanka Air Force and submit.

during the year under review through the duties of United Nation Peace Keeping Operations. The following observations are made.

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| - Arrears income of Rs.726.61 million receivable to the Sri Lanka Army had not been shown in the Statement of Arrears Income under the Format ACA 1(i) in the financial statements. Further, arrears income of Rs. 593.37 million receivable from the Peace Keeping Operations in State of Mali had been included in respective arrears income. | Action should be taken to submit revisions made to income estimates and reports on arrears income to audit. Further, it is required to collect the arrears income in proper manner. | Not commented. |
| - Preparation activities of Memorandum of Understanding with State of Mali had not been completed during the year under review. | Preparation Activities of Memorandum of Understanding should be completed immediately, due to duties of Peace Keeping Operation in State of Mali had been commenced from 24 December 2017. | Not commented. |
| (iii) Payment of rent advances of Rs.20.19 million for the establishment of several divisions of the Ministry in a building owned to private sector from January 2019 had been accounted under the expenditure object No.103-01-02-13-1508 contrary to accounting method stipulated in the State Accounts Circular No.250/2016/(I) of 03 August 2016. | Payment of advances should be accounted as per the Circular instructions stipulated in State Accounts Circular No.250/2016(I) of 03 August 2016. | According to the State Accounts Circular No.250/2016/(I), action will be taken to record accurately in due cause. |

(b) Reconciliation Statement of the Advance Account of the Public Office

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Advances to be recovered from 62 officers who transferred from the Ministry, 09 death officers, 22 retired officers, 03 officers vacated in the post was Rs.4.44 million as at 31 December 2018. Out of that balance of advances amounting to Rs.2.88 million had been remained outstanding for over 5 years.	Action should be taken to recover the outstanding advances in terms of the Chapter XXIV of the Establishment Code.	Out of balance of advances, Rs.1.45 million had been recovered as at 30 April 2019. Action is being carried out to recover the remaining balances.

(c) Deposits

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(i) A difference of Rs.6.05 million had been observed between balance of 02 General Deposits of the Ministry shown in the Deposits Ledger and Financial Statements.	Action should be taken to submit accurate balances after comparison.	It was informed that explanations on the difference of the General Deposit Account will be submitted to Audit.
(ii) Action had not been taken in terms of Financial Regulation 571 on the deposits of Rs.158.50 million over 02 year as at 31 December 2018 as per the time analysis of the General Deposit Account submitted by the Ministry.	Need to take action in terms of Financial Regulations 571. Action should be taken to retained further, recover or release the retention monies of the works completed by conforming from the respective divisions.	Action is being carried out to pay deposits over 02 years remained in the Deposits Account No.002/0115 and No.0016/063. It was unable to take action in terms of F.R.571 on the retention money of Rs.154.92 million, due to construction of Army Head Quarters project had not been completed upto now.

(d) Proper Plant and Equipment

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(i) Eventhough value of non-current assets remained at the end of the year 2017 was 23,032.59 million, as per the report on non-financial assets as at 31 December 2018 respective value was Rs.6,076.73 million and difference of Rs.16,955.85 million was observed. Further, a survey had not been carried out to identify the lands and building owned to the Ministry.	Accurate value of the non-current assets remained at the end of the year under review should be reflected in the financial statements. Further, action should be taken to carry out a survey on all lands and buildings of the Ministry and documented it.	Action is being taken to enter all the fixed assets to CIGAS programme immediately. It is ready to survey all lands and buildings in future.
(ii) Eventhough value shown in the financial statements pertaining to the construction of buildings under the fixed assets was Rs. 568.99 million, the respective value shown as Rs.5.67 million in the schedules submitted to the audit by the Ministry.	Values shown in the financial statements and schedules need to be tally.	The difference had been occurred, due to value of the Suhurupaya premises of Rs. 563.32 million had not been entered into CIGAS programme by the date of preparation of financial statements.
(iii) The report on assets of the Ministry required to be submitted on 31 December 2018 as per the Management of Assets Circular No. 01/2017 of 28 June 2017 on had been sent on 24 May 2019.	Action should be taken to in terms of the Management of Assets Circular No. 01/2017 of 28 June 2017.	A Soft copy of the report updated up to 25 September 2018 and Register of Assets updated for the other 03 months had been send on 24 May 2019.

(e) Records and Registers not maintained

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(i) <u>Security Register</u> A Security Register with information on officers and employees required to be keep securities had not been maintained	A Security Register with information on officers required to be keep securities	Not commented.

as per the Financial Regulation 891(1) should be maintained as per the information mentioned in the Financial Regulation 891(1)

(ii) **Registers of Losses**

A Register of Losses had not been maintained as per the Financial Regulation 110 to the construction of Tri Forces Head Quarters project. A Register of Losses required to be maintained according to the format stipulated in the Financial Regulation 110. Not commented.

(f) **Lack of Evidences**

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
(i) Eventhough no balance in the Imprest Account as at 31 December 2018 as per the financial statement for the year under review, as per the Imprest Adjustment Account balance was Rs.4,936.10 million. Schedules had not been submitted for the respective values to audit.	Imprest Adjustment Account need to be prepared in terms of the State Account Circular No.267/2018 of 21 November 2018.	It was observed that arithmetical error had been remained in the Imprest Adjustment Account. Imprest Adjustment Account will be submitted in future after doing correction.
(ii) Bank Reconciliation Statements prepared for the Bank Account No 0007040191 owned to the Ministry had not been furnished to audit.	According to the F.R 395, monthly Bank Reconciliation Statements should be submitted.	Bank Reconciliation Statements will be submitted to Auditor General in future.

(g) **Certification required to be done by the Chief Accounting Officer**

In terms of section 38 of the National Audit Act No. 19 of 2018, eventhough the Chief Accounting Officer need to certify the following matters mentioned below, action had not been taken accordingly.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
(i) The Chief Accounting Officer needs to certify that an effective internal control system is established and continuously maintained by the Ministry.	Need to be complied with the provisions made under the paragraph 38 of the National Audit Act No. 19 of 2018.	Not Commented.

Further, periodical reviews should be carried out to ensure that the respective system are effectively implemented and make necessary modifications. The details of such reviews need to be documented and copies of the documents should be submitted to the Auditor General. However, the declarations on such reviews had not been presented to audit.

- (ii) The Chief Accounting Officer need to certify that annual and other financial statements are prepared in due dates and Chief Accounting Officer is responsible for submission of annual performance report to the parliament pertaining to the audit entity, the respective requirement had not been satisfied, due to observations mentioned in the paragraph A (VI) of the report. Action should be taken as per the instructions of the section 38 of the National Audit Act No. 19 of 2018. Not commented.
- (iii) Eventhough Chief Accounting Officer need to certify that answers to all audit queries is given within certain period of time as required to Auditor General, delays had been occurred in submission of answers to the audit queries as per the paragraph 5.1 of the report. Action should be taken as per the instructions of the section 38 of the National Audit Act No. 19 of 2018. Not commented.

(h) Non-compliances with Laws, Rules and Regulations

The following observations are made.

	Reference to the Laws, Rules and Regulation	Value Rs. million	Non-compliance	Recommendation	Comments of the Chief Accounting Officer
(i)	Section 16.2 of the National Audit Act No.19 of 2018.		Eventhough performance report required to be submitted along with the annual financial statements by the	Action should be taken as per the section 16.2 of the National Audit Act no.19 of 2018.	Report for the year 2018 had been send to the print and it will be tabled in the parliament in future.

Ministry, such a report had not been submitted.

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| (ii) Paragraph 4.2 of the State Accounts Circular No. 261/2017 of 21 December 2017. | 2.99 | Action should be taken to collect the arrears income and proper attention need to be pay to avoid the accumulation of arrears income further. However, arrears income on explosive items and fire arms license was Rs. 2.99 million at the end of the year under review and out of that arrears income over 02 years was Rs. 2.26 million. | Action need to be taken to collect the arrears income as per the circular instructions. | Procedure had been proposed to aware all the District Secretaries, Divisional Secretaries, Superintendents of Police and fire arms owners to collect the respective amounts, give instructions take legal actions against the fire arms owners and collection of license charges and finality. |
| (ii) Public Finance Circular No. PF/04/08/01/59 of 11 December 2015 | | According to the circular instruction, general charges are required to be amended in timely manner, considering the prevailing economic situation. However, no revision of charges under Firearms (Amendment) Act, No. 22 of 1996 had not been made throughout the previous 18 years. | Action need to be taken to revise the charges as required by the Circular No. PED/04/08/01/59 of 11 December 2015. | It was informed by the Attorney General by his Letter of E/28/2019 of 05 February 2019 that the charges on licensing of the fire arms need to be done through amendment of the related Acts in the Parliament. |
| (iv) Public Finance Circular No.402 of 12 September 2002. | | Eventhough performance report for the year under review required to be tabled in the parliament by the Ministry within the | Action should be taken as per the circular instructions. | Delays, due to attachment of entities to the scope of the Ministry and urgent situation occurred on 21 April 2019. |

150 days by the end of the financial year, report had not been tabled even up to 31 May 2019.

2. Financial Review

2.1 Revenue Management

An Action Plan to recover revenue on fire arms and explosives had not been prepared for the year under review.

2.2 Expenditure Management

The following observations are made.

Audit Observations	Recommendation	Comments of the Accounting Officer
(i) According to the Financial Regulation 50(ii) the annual estimates are required to be prepared accurately and completely and expenses need to be incurred as per the annual Action Plan under proper procedures. However, savings amounting to Rs.1,664.19 million related to 25 object codes of capital expenditure and other savings of Rs. 51.86 million related to 31 object codes of recurrent expenditure at a range of 11 per cent to 98 per cent of the total annual allocations had been observed.	According to the Financial Regulation 50(ii) the annual estimates are required to be prepared accurately and completely and the allocations need to be utilized according to the annual Action Plan	Due to delays in receiving of imprest adequately, delays in application of procurement procedures, necessities not arisen, allocations received with delays and late receipt of bills etc caused delays in utilization of allocations. However, the expenditure could be managed in 19 instances.
(ii) Eventhough the allocations had been transferred under the Financial Regulation 66 through 18 applications indicating the necessity of the expenditure and inadequacy of the allocations made etc, and out of that a sum of Rs 48,44 million had not been utilized during the year under review.	Transferring of the allocation need to be done under proper supervision and management.	The activities could not be implemented as expected due to reasons such as the receipt of approval to transfer funds in the last quarter of the year, not presenting bills in due time, lack of imprests and the political turmoil prevailed in the country during the last part of 2018.
(iii) It was observed that a sum of Rs 1,150.97 million had remained unspent under 19 object codes even after being transferred of funds to	The fund transferred under the Financial Regulation 66 is required to be utilized in effective manner.	-Do-

other 19 Votes under the Financial Regulation 66.

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| (iv) | It was observed in 09 instances that the entire allocation had been transferred to other object code. | The necessity of allocation need to be recognized at early stages and the allocations need to be utilized in fair manner. Further, allocation should not be requested under the probability to arise the expenses. | The portfolio of the H.E the President includes the Minister of Defence and the respective expenses are incurred under the Vote allocated for the office of the H.E President and the allocation retained are subsequently transferred to other Votes. |
| (v) | A sum of Rs 57.93 million had been transferred under Financial Regulations 66 and 66 and proving additional allocations for a recurrent vote and 05 capital votes instead of being allocated funds through token provisions as per Financial Regulation 230. However, out of that only a sum of Rs 6.57 million had been utilized during the year under review. | Need to be made token provisions as per Financial regulation 230. The allocations for new projects need to be made in appropriate manner and incur costs thereon. | At the time of making allocation for 2018, it was not expected to incur the cost under the above mentioned object codes and allocation under the Financial Regulation 66 had been transferred subsequently at the time of requirements arise. |
| (vi) | Eventhough the allocations amounting to Rs. 15 million for recurrent expenditure and a sum of Rs.4 million for capital expenditure of the Institute of National Defence Studies had been made, only a sum of Rs. 7.25 million and Rs.1.52 million had been spent respectively during the year under review. Therefore, savings of 52 per cent and 62 per cent had been reported respectively, thus it indicated that the utilization of funds for the intended purpose is remained low. | According to the Financial Regulation 50(ii) the annual estimates are required to be prepared accurately and completely and the allocations need to be utilized according to the annual Action Plan. | The savings had been occurred due to delays in receiving approvals from the relevant agencies and time taken to settle the payments. |

2.4 Liabilities and Commitments

Audit Observations	Recommendation	Comments of the Accounting Officer
(i) It was observed that the Ministry had entered to the commitments aggregating Rs.12.51 million	According to the Financial Regulation 94, the commitments should not be	The imprest had not been duly received in the last quarter of the year under

under 02 object codes exceeding the savings of net allocation made during the year under review, contrary to the Financial Regulation 94. Further the liabilities aggregating Rs. 39.71 million to be settled on construction works of headquarters building of security forces had not been disclosed in the financial statements.

created exceeding the unused net allocations made for the year.. Further, all the liabilities need to be disclosed in the financial statements

review and as a result, activities could not be implemented. The part of the liabilities arisen related to the construction of the headquarters building had not omitted in the financial statements and advised the officer- in-charge to rectify the error.

(ii) The details on commitments on constructions, supplies and services contracts etc relating to the 05 institutions including National Cadet Corp and Research and Development Centre had not been shown under the commitments.

The information relating to all contractual commitments is required to be furnished to the audit and if there is no such commitment , that fact need to be disclosed.

The information relating to the on commitments on constructions, supplies and services contracts etc of 06 institutions which shown in the Register of Commitments of the Ministry had not been presented at the due date and as a result, it was not included in the financial statements.

3. Operating Review

3.1 Planning

The performance indication for the National Cadets Corp and the Research and Development Division had not been mentioned. The activities such as ensuring the security in use of explosives in commercial activities amendments to the Private Security Services Regularity Act and amendments of the regulations on monitoring of institutions conducted for self-security purposes f etc had not been included in the Annual Action Plan.

3.2 Functions not achieved

The following observations are made.

Audit Observation	Recommendations	Comments of the Accounting Officer
(i) It was revealed at the field audit tests that the records and other information relating to the issues of explosives had not been maintained in proper manner by the Assistant District Control Offices, as enable to establish a monitoring mechanism on explosives at	Need to establish a mechanism and a computerised data base for decision making purpose of monitoring of activities on use of explosives.	No comments made.

optimum level. Further, it was pointed out at the audit that the necessity of establishment of computerized data base for Civil Security Division. However, it was not implemented during the year under review.

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| (ii) | It was revealed at the site inspections made in 2018 in Kurunegala and Puttlam districts relating to the metal quarries that 35 metal quarries were running without a license thereon. However no action had been taken thereon. | The activities to achieve the duties and functions of the Ministry need to be planned and implemented/ further action should be taken as per Explosive Control (Amended) Act, No. 18 of 2005. | The orders had been issued to the District Secretary of and Superintendent of Police in Puttlam District to take action against 38 metal quarry carried out illegally. |
| (iii) | Eventhough the instances on use of other explosives and Ammonia Nitrate for metal crashing purposes instead of using Dynamite and Water Gel were revealed at the audit tests carried out by the Special Investigation and Forensic Unit of the National Audit Office and inform it to the Secretary of the Ministry of Defence, no action had been taken thereon. Further, the action had not been taken by the Controller of Explosives against the issues on releasing of explosives without considering the maximum capacity of production per month . | Action need to be taken as per Explosive Control (Amended) Act, No. 18 of 2005. Further the action need to be taken to plan and implement the activities to ensure the security in use of explosives. | No comments made. |
| (iv) | It was observed that a proper mechanism had not been established even as at 31 December 2018 on revenue generated on services supplied to the outside parties by the Security Forces and the Civil Security Department, costs incurred thereon and credits to be made to the Consolidated Fund with the concurrence of the Line Ministry and the security forces | Action need to be taken as per the decision arrived at the meeting of the Audit and Management Committee held on 26 October 2016. | No comments made. |

3.3 The Projects implemented through local financial sources

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) A Loan amounting to Rs. 7,550 million had been obtained by the Ministry from 02 private Commercial Bank and 02 state owned Commercial Banks for the construction of 20 storied building for Secretariat for Personal Identification. The total Loan amounted to Rs. 8,784 million including the interest amounting to Rs. 1,272 million capitalized in 2015 and the capital portion of the Loan amounted to Rs.7,512 million and out of that balance of Rs. 6,827 million had remained outstanding as at 31 December 2018. However the value of the building had not been recorded in the Register of Fixed Assets even at the end of the year under review. Eventhough the Cabinet of Minters had approved at its meeting held on 28 march 2017 to include the capital portion of the Loan in the Register of Loans of the Government, no decision had not been taken on the balance of interest capitalized.	Action need to be taken as per Assets Management Circular No.1/217 of 28 June 2017.	The offices of the Ministries and Departments had been established in the Suhurupaya premises as per decision taken by the then Cabinet of Ministers.
(ii) The activities of the Strategic Defence Communications Network Project commenced in 2014 to provide facilities for communications of the ministry of Defence, security forces and Sri Lanka Police had not been completed even as at the end of the year under review. The Centre for Strategic Defence Communications Network consists with 37 connections and action had not been taken to calls the bids eventhough the allocation amounting Rs.574.90 million had been estimated to supply and install microwave broadcasting systems. Further, contracts had been awarded in August 2018 to construct 11 automated communication terminals,	Action need to be taken by the Project Monitoring Unit to complete t activities of the project as per the plans and utilize the funds allocated as enable to achieve the objectives of the Project .	The procurement process was got delays in time take to obtain the approvals of the relevant agencies and bad weather conditions. Further the network connections could not be done as the construction works of the headquarters building for the security forces had not been completed.

out of 22 such terminals and construction works thereon had not been completed even at the end of the year under review. It was observed that 22 electricity generators procured at a cost of Rs. 34.50 million in 2016 and 2017 had remained idle over 02 years at the premises without being utilized for intended purposes due to delays in installation of microwave broadcasting systems.

3.4 Procurements

(a) Construction of Security Forces Headquarters Building Project

Audit Observation	Recommendation	Comments of Accounting Officer
<p>(i) The overall progress on construction works of the building for Headquarters of security forces which expected to be completed in 2014 was remained at 51.3 percent as at 31 December 2018. The physical progress of the main activities under the Stage -01 of the Project of communication system, construction of security buildings waste water drainage system was remained at lower levels at 61 per cent, 58 per cent and 20 per cent respectively. Out of the allocation made thereon during the year under review amounting to Rs.3,920.25 million, only a sum of Rs.2,957.94 million had been utilized. Further, a sum of Rs. 21,961 million had been spent for the Project and it represented 39.46 per cent of the total estimated cost of the Project. The total estimate of the Project had been revised in 03 times.</p>	<p>Action need to be taken to complete the constructions in time, as per the plans prepared by the Consultants Project Monitoring Unit and the Ministry</p>	<p>The utilization of the allocations was remained below in the period from 2015-2017, due to several reasons such as delays in submission of the report of the committee appointed to review the activities of Project in 2015, slow progress on physical activities and subsequent suspension of the construction activities etc.</p>
<p>(ii) Eventhough a sum of Rs. 14,242 million had been estimated to carry out 119 contracts on civil construction</p>	<p>The procurement plan need to be prepared by considering the probable implemented during the</p>	<p>The procurement plan had been prepared at a cost of Rs. 14,242 million with the expectation of completion of the works in last</p>

works, structural and engineering year under review. works and consultancy services etc, the procurement activities had been revised due to shortage of the allocation by Rs 10,242 million, However the procurement plan had been revised as a sum of Rs. 12,137 million at the last quarter of the year under review.

quarter of 2018. Eventhough the allocation amounting to Rs.4,000 million had been made the cash to settle outstanding bills at Rs. 617 million had not been received.

(b) Construction of the Hostel Building for Defence Service College

Audit Observation	Recommendation	Comments of Accounting Officer
(i) According to the Procurement plan for 2018, service contracts for 46 activities had been planned to be awarded. However, it was observed that the procurement activities under 22 activities valued at Rs 123.94 million had not been commenced even in November 2018. Further, the delays ranging from 53 days to 287 days over the target dates had been observed on 24 supply activities awarded at a cost of Rs. 54.59 million as at 31 December 2018.	According to the Action Plan it was expected to provide accommodation facilities for 554 students of remote areas and necessary action need to be taken to complete the works in time to achieve the above mentioned objective.	Due to delays in preparation of estimates and the specifications, the procurement activities could not be completed in time.
(ii) It was observed that the contract agreement had not been signed for 22 contracts valued at Rs. 66.76 million awarded during the year under review, contrary to the paragraph 8.9.1 (b) of the Government Procurement Guidelines.	The contract agreement need to be signed as required by the paragraph 8.9.1 (b) of the Government Procurement Guidelines.	It was informed that the signing of the contracts will be commenced from 2019.

3.5 Assets Management

Audit Observation	Recommendation	Comments of Accounting Officer
According to the paragraph 3.1.6 of the Public Finance Circular No. 05/2016 of 31 March 2016 and the Financial Regulation 756, the annual board of survey for 2018 should be completed and the reports thereon should be submitted to the Auditor General	The Board of Surveys need to be carried out with the time frame stipulated in the paragraph 3.1.6 and 3.2.6 of Public Finance Circular No. 05/2016 of 31 March 2016 and reports are required to be submitted to the Auditor General after being	No comments made.

by 15 June 2019. However, the reports of Board of Surveys relating to the 66 Divisions of the ministry and 07 institutions under the purview of the Ministry had not been submitted to the Auditor General.

taken action to rectify the excesses and shortages.

3.7 Security Bonds of the Government Officers

Audit Observation	Recommendation	Comments of Accounting Officer
<p>The officers who were assigned duties on custody of cash and stores are required to be deposited security bonds as the Authority 612 of the Government Officers' Security Bond Ordinance and Financial Regulation 880. However, the respective officers of the Ministry had not deposited the security bonds.</p>	<p>It is needed to deposit the security bonds as required by the Authority 612 of the Government Officers' Security Bond Ordinance and Financial Regulation 880.</p>	<p>Action had been taken to inform to the Officers and respective institutions in this regard.</p>

4. Achievement of Sustainable Development Goals

Audit Observation	Recommendation	Comments of Accounting Officer
<p>Every Government Institution need to prepare indicators to identify the gaps and to measure progress on objectives related to the Institution. Eventhough the Ministry had been educated in this regard, the action had not been taken to collect the data, identify the indicators and landmarks to achieve such objectives. Further, a proper data base had not been established to measure the achievements of the Sustainable Development Goals and indicators.</p>	<p>According to the Circular No. PS/SP/SB/3/201 of the Secretary of the H.E President of 16 March 2018, it is needed to prepare indicators to identify the gaps and to measure progress on objectives related to the Institution</p>	<p>No comments made.</p>

5. Good Governance

5.1 Internal Audit

Audit Observation	Recommendation	Comments of Accounting Officer
Eventhough the Internal Audit Unit of the Ministry had complete 16 audit examinations and an investigations during the year under review and submitted the reports to the respective Divisions/ Institutions, the comments with regards to 12 audit queries had not been replied up to 31 May 2019.	Action need to be taken in terms of Paragraph 40 of the National Audit Act, No.19 Of 2018.	No comments made.

6. Human Resources Management

(a) Approved and actual cadre positions

Action had not been taken to fill the 77 vacant positions remained at the end of the year under review. The cadre position remained as at 31 December 2018 are given below.

Cadre Level	Approved cadre	Actual cadre	Vacant positions
(i) Senior Level	64	51	13
(ii) Territory Level	09	06	03
(iii) Secondary Level	239	185	54
(iv) Primary Level	136	129	07
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Total	<u>448</u>	<u>371</u>	<u>77</u>

(b) Human Resources obtained from outside Agencies

Audit Observation	Recommendation	Comments of Accounting Officer
(i) According to the information furnished for audit, 35 labours,102 Officers and 449 orther rankers of the Sri Lanka Army had been released to the Ministry.	Action to be taken to approve the positions and recruit the suitable persons as enable delegate the responsibilities in proper manner.	No comments received.
(ii) Eventhough the approval of the Cabinet of Ministers had been received to recruit a Director General, 03 Directors, a Research Analysts and 04 Research Assistant, recruitments had not been made even after 2 1/2 years. The staff recruited on temporally basis had been deployed and	-Do-	No comments received.

paid salaries by extending the services of 06 months period in 04 instances.

- (iii) The vacancies of the posts of Deputy Controller of Explosives and 02 Additional Deputy Controller of Explosives had remained unfilled. Further, Assistant Controller of Explosives had been appointed to cover up duties in 03 districts and other 05 Assistant Controllers of Explosives had been appointed to cover up duties in addition to the normal duties assigned

-Do-

No Comments received