

Head 224 – Sri Lanka Air Force

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head 224 – Sri Lanka Air Force for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended, and notes to financial statements including a summary of significant accounting policies, 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 summary report including my comments and observations on the financial statements of the Sri Lanka Air Force was issued to the Accounting Officer on 30 May 2023 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the Sri Lanka Air Force in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 11 July 2023. This report will be presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution 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 Air Force as at 31 December 2023, 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 (SLAuS). 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 opinion.

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

The Accounting Officer is 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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of Sri Lanka Air Force exists, 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 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.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment 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 internal control of Sri Lanka Air Force.
- 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 and Regulatory Requirements

I express the following matters in accordance with 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 been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Recurrent Expenditure

The following deficiency was observed in accounting for recurrent expenses.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Out of 202,000 liters of jet fuel given to the Sri Lanka Air Force during the years 2022 and 2023 by the Government of Australia, 77,000 liters of jet fuel worth Rs. 28,727,120 had been received in the year 2022. Nevertheless, the total amount of Rs. 67,320,620 being the value of 202,000 liters of fuel, had been brought to accounts under the Item of Expenditure 224-1-1-1202-3 in the year under review. Accordingly, expenditure on fuel for the current year had been overstated by Rs. 28,727,120.</p>	<p>The amount of 202,000 liters of jet fuel given by the Government of Australia during 2022-2023 for the B-200 aircraft of the Sri Lanka Air Force, had been received as a foreign donation. A sum of Rs. 67,320,620 had been brought to accounts in the year 2023 with respect to the 202,000 liters of fuel so received.</p>	<p>The stock of fuel received as foreign grants in the preceding year, should be accounted for as an expenditure of that year.</p>

(b) Property, Plant and Equipment

The following deficiencies were observed in accounting for the Property, Plant and Equipment.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(i) As a proper system had not been put in place to account and register the non-financial assets of the Sri Lanka Air Force, a sum of Rs. 5,806,436,807 being the value of non-financial assets that had been omitted in the preceding years, had been added to the opening balances of the year under review and 02 preceding years. That sum included a total sum of Rs. 1,492,897,135 being the value of 08 aircrafts which could not be brought to accounts during 1985-2001.</p>	<p>Due to reasons such as, the Sri Lanka Air Force owns a large number of assets, it is difficult to account for all those assets at once, and doing so is time-consuming, the fixed assets that had not been accounted for during the 03 preceding years, have been identified and brought to accounts.</p>	<p>The fixed assets should be correctly identified and brought to accounts.</p>

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| (ii) | The new head office building and the land of the Sri Lanka Air Force costing Rs. 6,904,872,231 as at 31 May 2023, had not been accounted for in the financial statements of the year under review, nor had been disclosed. | The construction cost of the head office building of the Sri Lanka Air Force had been mentioned as Rs. 6,904,872,231 as at 31 May 2023 though, the cost report will be presented after fully computing the cost. | Cost of the land and building should be capitalized. |
| (iii) | Accounting for 04 ambulances, 14 fire engines, 03 radar vehicles, a jeep, a truck and a GPU vehicle had been omitted in the ACA6-statement of non-financial assets as at the end of the year under review. | Those vehicles were received as donations, and assessment thereof is in progress. | Value of non-financial assets of the year should be brought to accounts. |

2. Financial Review

2.1 Revenue Management

The following observations are made in this regard.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The Head of Revenue, 20-03-02-16, lease rent revenue of aircrafts, indicated a decline in the annual net revenue of the Sri Lanka Air Force from 2016 up to the year under review. That decline unfavorably ranged between 24 – 94 per cent during 2016-2023.	The reasons for the decline in lease rent revenue of aircrafts included, limited number of aircrafts used for commercial flights, legal issues, Covid-19 outbreak, and economic crisis in the years 2022 and 2023.	An efficient mechanism should be put in place for the recovery of such revenue in a timely manner.
(b) According to Financial Regulation 128 (2) (e), special provisions should be made by the Revenue Accounting Officer for expeditious recovery of due revenue to the Government. However, aircraft lease rents totaling Rs. 12,674,073 remained due from 10 public institutions and 02 private institutions over a period of 05-20 years by the end of the year under review.	It has been decided to present Cabinet Memorandums requesting approval for writing off those due revenues.	Substantial measures should be taken by the Revenue Accounting Officer for prompt recovery of dues to the Government.

- (c) According to Financial Regulation 128 (2) (i), the Revenue Accounting Officer of the Government should review rates and charges or taxes, fees, etc., and due action should be taken to revise them from time to time, where necessary, having regard to changes in economic and other circumstances. However, no action had been taken after the year 2016 to revise the aircraft landing charges. As such, the aircraft landing charges remained as low as Rs. 120.75 whilst the revenue received with respect to 2009 landings totaled Rs. 236,221.
- The Ministry of Transport and Civil Aviation is responsible for revising those charges. It has been informed that the Ministry of Defence has requested the Treasury for approval to revise the charges.
- The Revenue Accounting Officer of the Government should review rates and charges or taxes, fees, etc., and due action should be taken to revise them from time to time, where necessary, having regard to changes in economic and other circumstances in terms of the Financial Regulations.
- (d) Having failed to comply to Financial Regulation 128 (2) (i), ten agreements had been entered into with respect to 05 buildings in the Air Force Camp in Ekala viz. one agreement for Government revenue and another agreement for crediting the income to a non-statutory fund. As such, the Government had lost a lease rent income from the buildings totaling Rs. 2,037,400.
- The lease rent received by the Government is credited to the Government account whereas the lease rent received by the service institutions fund is spent on welfare and maintenance works of the buildings.
- Earnings from the utilization of Government buildings should be credited to the Government revenue.

2.2 Expenditure Management

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The casual allowance of US \$ 40 per day had been deducted to US \$ 25 for a maximum of 15 days in terms of Paragraph 02 (1) of the new Circular No. MF/06/23/50/2023 of the Ministry of Finance dated 20 March 2023 relating to proceeding abroad for	The new Circular had been forwarded to the Tri-forces on 03 May 2023 by the Ministry of Defence thereby giving instructions to adhere to amendments to that Circular with effect from 20 March 2023. Accordingly, instructions	Action should be taken in accordance with Circulars.

studies, discussions, conferences and training. Nevertheless, daily payments of US \$ 40 had been paid to 10 officers who had proceeded abroad for training, discussions, conferences and studies even after 20 March 2023. As such, a sum of US \$ 6045 equivalent to Rs. 2,006,109 had been paid for expenses on foreign travel contrary to the said Circular.

had been sought from the Ministry of Defence through the Letter No. ශ්‍රී ලංකා/255/1/විඥා^ම dated 25 April 2024 relating to the payment of casual allowance to the officers of the Air Force during the period from 20 March to 03 May 2023.

- (b) Despite the strongly-felt requirement of vehicle repairs and purchase of uniforms for the Sri Lanka Air Force in the year under review, the relevant annual provision had been underutilized even by 30 November 2023; and hence, recurrent provision amounting to Rs. 3,064,000,000 and capital provision under machines and machinery Object amounting to Rs. 5,491,127,000 had been retained and granted for a recurrent Object of the Sri Lanka Army.
- Estimates for the year 2023 had been prepared based on matters such as, non-recommendation of the extension to annual tender period, import restrictions, higher prices of goods, retention of 6 per cent of the recurrent expenditure, and active number of employees in service. However, provision remained unutilized due to reasons such as, failure in preparing annual estimate due to employees being removed from service on miscellaneous grounds and their retirements, and lack of approval on the operations of MA-60 civil aircrafts.
- Annual provision should be utilized with maximum efficiency.

2.3 Incurring of Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) According to Financial Regulation 94 (1), at no time shall the commitments, and the expenditure incurred exceed such provision for the financial year. Nevertheless, liabilities had been incurred in the year 2023 by exceeding the annual provision by Rs. 1,765,607 under Item No. 224-1-1-1401 of	The net provision under the Item of Expenditure – 1401 for transportation amounted to Rs. 570,000,000. The total expenditure of ACA-2 (iii) Format amounted to Rs. 557,850,607. As such, no liabilities had been incurred	The total of liabilities and commitments incurred annually, should not exceed the provision for the year of finance in terms of the

	expenditure on transportation.	in excess of provision.	Financial Regulations.
(b)	All the liabilities to be settled within the year under review should be mentioned in the statement of liabilities and commitments given in Annexure- III with the annual financial statements. Nevertheless, liabilities valued at Rs. 20,121,111 relating to 28 instances, had not been included therein in the year under review. Furthermore, payments had been made in the year 2023 with respect to liabilities valued at Rs. 12,619,050 pertaining to 10 instances that had not been included in the statement of liabilities in the financial statements of the preceding year.	A justifiable reply has not been given.	Liabilities should be registered correctly.

2.4 Non-compliances with Laws, Rules, and Regulations

Instances of non-compliances with provisions of Laws, Rules and Regulations observed in audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance	Comments of the Accounting Officer	Recommendation
(i) Sections 1 and 2 of Chapter V of the Establishments Code.	2,360,680	An officer receiving salaries from the Government shall be released to a different post in the Government service, but such an officer should not be employed in external or non-governmental institutions. Nevertheless, 04 airmen of the Sri Lanka Air Force had been released to a private institution and salaries totaling Rs. 2,360,680 had been paid by the Government for the	(a) The 04 airmen have now returned to the Head Office of the Air Force. (b) It was informed that airmen had been deployed on special duties assigned to	Officers should be deployed legally.

		period from 01 March 2023 to 30 September 2023. Furthermore, 31 airmen of the Air Force base in Katunayaka had been deployed in external institutions for periods ranging from 01 day to 03 months.	the Air Force and social welfare activities.		
(ii)	Financial Regulation 128 (1) (b)	15,303,304	An Accounting Officer is responsible to the Chief Accounting Officer for the organization for financial control and accounting it his department is effective, and provides adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues, and bringing to account of monies received. Nevertheless, the sum of Rs. 15,303,304 earned from 24 sources of revenue related to human and physical assets in the Air Force camp in Katunayaka, had not been credited to the Government account. Instead, those monies had been credited to the service institution fund and non-statutory funds thus depriving the Government of that revenue.	Those projects are implemented for welfare works. It was informed that discussions were underway relating to the matters such as, granting a sum of Rs. 10,313,775.00 out of that revenue to the Government in the year 2023, increasing the national production, and preparing a suitable mechanism in that connection.	Earnings from the utilization of human and physical resources of the Government, should be credited to the Government revenue.
(iii)	Financial Regulation 2 (1) (c)	1,383,125	All of the revenue and receipts to the Government should be credited to the consolidated fund. Nevertheless, the sum of Rs. 1,383,125 earned by	This runway is maintained through the service institutions fund. It has been	Earnings from the utilization of human and physical resources of the Government,

		providing the runway of the Air Force camp, Katukurunda for training activities of motor car motorbike racing events in the years 2022 and 2023, had not been credited to the consolidated fund. Instead, that amount had been credited to service institutions fund which was not a statutory fund.	informed that should be discussions were credited to the underway for Government preparation of a revenue. suitable mechanism in that regard.
(iv)	Section 04 of Chapter XXIV of the Establishments Code.	- In the event that distress loan balances of officers deceased, retired or whose services are terminated before settling their loans, can not be recovered, such balances should be recovered from the guarantors. However, due to failure in doing so, a loan balance of Rs. 10,759,840 remained due from officers who had been deceased/interdicted/vacated the service by the end of the year under review, and a loan balance of Rs. 7,734,231 continued to exist over 05 years therein.	Action had been taken to deduct the loan balance due from retired officers to Rs. 160,476.52 by 2024.04.30. Further action is taken as per recommendation s to write off a sum of Rs. 455,126.69 from the loan balance recoverable from officers who had vacated their posts.
			Action should be taken in accordance with Section 4 of Chapter XXIV of the Establishments Code relating to the recovery of outstanding loan balances.

2.5 Non-compliance with Tax Liabilities

The following observation is made in this connection.

Audit Observation	Comment of the Accounting Officer	Recommendation
The advance personal income tax (APIT) should be calculated in accordance with new Inland Revenue Act, No. 24 of 2017. However, due to failure in doing so, only a sum of Rs. 482,770 had	As mentioned in No. 04 in Paragraph 03 of the Guideline, SEC/2023/E/01 issued by the Department of Inland Revenue, the allowances given generally to the employees of all services, had	The advance personal income tax (APIT) should be computed in accordance with the new Inland Revenue Act No. 24 of 2017.

been recovered instead of not been taken into consideration recovering the APIT of Rs. 2,875,270 from a sample of 100 officers for the 03 months of August, September, and October 2023. As such, the Government had been deprived of an advance personal income tax of Rs. 2,392,500 due to failure in correctly identifying the employees' income as per the new Inland Revenue Act.

2.6 Irregular Transactions

The following observations are made in this connection.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Officers of the Sri Lanka Air Force in the ranks of Wing Commander and above had been released to other posts of the Government institutions together with staff vehicles assigned to them; and, 76,175 liters of fuel had been supplied to 29 such officers during the period from 01 January 2022 to 30 September 2022 whilst a sum of Rs. 10,800,000 had also been paid as lease rent for those vehicles. As such, expenses totaling Rs. 10,800,000 had been incurred under Air Force head of expenditure on officers who performed duties at other institutions external to the Air Force.	The relevant institutions function under purview of the Ministry of Defence. As such, it was informed that staff vehicles and other perks had been provided for them.	Accounting should be done in a manner that expenses relevant to the Head could be correctly identified.
(b) As for the payment of lease rents for the vehicles obtained at monthly lease rents of Rs. 50,000, a sum totaling Rs. 21,150,000 had been paid for 47 vehicles without mentioning essential information such as, the Air Force vehicle	The suppliers have been instructed to present bills by including information relating to payments.	Payments should be made after verifying that correct information is given in the payment voucher

number or the civil vehicle number on the invoices annexed to vouchers.

and supporting documents.

3. Operating Review

3.1 Procurements

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) During the period 2021-09 February 2024, the Sri Lanka Air Force had purchased 1380 mattresses manufactured by the mattress project implemented by the research and development wing of the Katunayake base camp of the Sri Lanka Air Force at a sum of Rs. 6,915,000 through the Agro Fund without a standards certificate or a warranty period. According to Section 1.2.1 of the Procurement Guidelines, a purchase should be made after verifying the quality and requirement – the main objective of a Procurement. However, this requirement had been deviated.	A separate Committee has been appointed to examine the quality. Once the quality is inspected by that Committee, the goods are taken into stocks.	Procurement process should be followed to make purchases with a formal standards certificate and a warranty period.
(b) Without properly inspecting the standard and including in the registers, the Sri Lanka Air Force had used 300 mattresses worth Rs. 1,785,000 for a programme held at the Head Office of the Air Force in Akuregoda on 01 January 2024. The order relating to the purchase of those mattresses, had been issued on a later date (through the Order No. PD/L/BRK/23/10266 dated 20 January 2024)	Without a quality test, the 300 mattresses had been accepted by the receipt and distribution unit of the supplies and maintenance depot following approval of the Director (Supply) on 28 December 2023 due to an urgent requirement. Those mattresses had been used for the <i>pirith</i> chanting programme held at the Air Force Head Office in Akuregoda on 01 January 2024 though, it was informed that those mattresses had passed the	Stock control should be done properly.

- quality assurance test on 13 February 2024 and taken into stock warehouse on 15 February 2024.
- (c) The Sri Lanka Air Force had entered into an agreement with a private institution on 06 February 2021 for repairing 03 Defender vehicles at the sum of Rs. 9,675,75 (excluding VAT). Nevertheless, the repair had not been done even after a delay of 673 days and the vehicles had been returned. The procurement had been cancelled by the Air Force. When inspecting the technical evaluation relating to the procurement, the Technical Evaluation Committee should be responsible individually that accepted Procurement Guidelines and procurement principles will be followed in accordance with Guideline 2.6.1 (a) IV of the Government Procurement Guidelines. Nevertheless, the Procurement had been awarded based on an internal audit report by deviating from that requirement. As such, due to the Technical Evaluation Committee deviating from their responsibility, the relevant procurement had become unsuccessful.
- Facility audits are carried out on external institutions when repairing vehicles as mentioned in the audit paragraph. Following the quality assurance test, the institution named “ Tech Net Auto World (Pvt) Ltd” had also been selected.
- The Technical Evaluation Committee should comply to the Guidelines of the Procurement Guidelines and accepted procurement principles.

3.2 Management of Assets

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Due to failure in properly repairing 105 vehicles received from 23 June 2011 by the Mechanical Transport Repair and Overhaul Wing of the	Due to higher costs, approval of the Board of Survey has been received to dispose of 31 of 105 vehicles. Repairs are	Repairs should be completed without delay and the vehicles should be

- Air Force Base in Katunayake, those vehicles remained underutilized over a period of 01-12 years.
- done on the other 74 vehicles made use of. under a recovery plan.
- (b) In order to install a fire extinguishing system at the stores of the Supply and Maintenance Wing of the Air Force camp in Katunayake, equipment had been purchased incurring a sum of Rs. 5,187,860 comprising sums of Rs. 1,346,000 and Rs. 3,841,860 incurred in the years 2021 and 2023 respectively. However, a fire extinguishing system had not been installed even by 09 February 2024. As such, there existed a risk and those items remained idle in the stores.
- As provision is allocated under several stages in that regard, the balance provision should be received to complete the project by using the items so purchased. Measures have been taken to complete the project in the year 2024.
- Items should not be kept unutilized.
- (c) As at 09 February 2024, there existed in 06 stores of the main camp of the Air Force in Katunayake 22,061 items of slow-moving items worth Rs. 5,574,656, a number of 12,946 unissued items worth Rs. 2,763,655, and 633 items worth Rs. 840,570 sent to the board of disposal.
- The slow-moving items are issued from the stores following approvals given by the Head Office of the Air Force, and further action will be taken on the unissued items according to recommendations of the stock verification board for the year 2023. As for the items referred to the board of disposal, action will be taken on the recommendations of the board.
- The items should be maintained without being underutilized.
- (d) A period of 09-19 years had elapsed since 27 spare parts of aircrafts worth US \$ 191,289.22 had been sent abroad for repairs and 32 spare parts the scarp value of which totaled to US \$ 63,000 with unknown values had been sent aboard for repairs between the years 2004-2014. Nevertheless, those items had not been received by the Air Force even by 09 February 2024.
- The number of items of air craft spare parts received during 2004-2014 was one. It is expected that 33 items remaining further receivable would be referred to the board of disposal whereas one item would be sent to a court of inquiry. Action is being taken to restore the other 14 items.
- Activities of the court of inquiry and restoration process should be expedited.

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| <p>(e) Sixty three items of spare parts pertaining to the aircraft spare parts wing of the Air Force base camp in Katunayake brought from foreign countries as new purchases and repaired items during 2020-09 February 2024, had been retained under quarantine for a period of 01-04 years without being issued to the relevant wing due to miscellaneous reasons. Accordingly, the spare parts worth 21,218.86 Euros and US \$ 50,141 purchased in 09 instances with values specifically mentioned, along with spare parts highly valued at US \$ 527,550 relating to 16 instances in which the repairs had been completed during 2020-2023, remained idle in the stores.</p> | <p>The aircraft spare parts brought from foreign countries as new purchases or repaired items during 2020-2024, remain in the quarantine store without being issued to the Wing due to miscellaneous reasons.</p> | <p>The aircraft spare parts, once purchased, should not be kept in the stores idle, instead, such items should be made use of efficiently.</p> |
| <p>(f) The Sri Lanka Air Force had incurred a sum of Rs. 65,752,943 as Customs charges in 09 instances on the purchase of spare parts for aircrafts. However, those spare parts had been kept under quarantine in whole or part of the order, and hence, the said expenditure incurred thereon remained idle for 01-04 years.</p> | <p>No replies were given.</p> | <p>The aircraft spare parts, once purchased, should not be kept in the stores idle, instead, such items should be made use of efficiently.</p> |

3.3 Losses and Damages

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) Approval had been given in terms of Financial Regulation 109 for writing off the losses relating to losses and omissions valued at Rs. 9,740,136 relating to 10 instances mentioned in Annexure (ii)-statement of write-offs from books</p>	<p>Once approval has been obtained from the Secretary to the Ministry of Defence and commander of the Air Force to write of the losses in terms of Financial Regulation 109, the relevant divisions have been</p>	<p>The approved write-off of losses should be omitted from books.</p>

given with the annual financial statements. However, even after 1-13 months since the receipt of approval, no action had been taken to remove those losses and omissions from books.

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| (b) | The non-written off value of losses and omissions being brought forward amounted to Rs. 577,625,996 as at 31 December of the year under review. Nevertheless, the opening balance of the non-written off value amounted to Rs. 595,362,729 as at 01 January 2023; as such, a difference of Rs. 17,736,733 existed in the opening balance. | The initial estimate was revised. Damages relating to 08 incidents had not been included. | Reasons should be given for the difference in opening balance. |
| (c) | The balance of Rs. 1,508,440 existed as at 31 December of the year under review relating to the accident involving the vehicle No. 3878, had been fully omitted from being included in the statement of write-offs and recoveries given in Annexure (ii) as per Financial Regulation 109. Furthermore, a sum totaling Rs. 3,014,342 relating to 19 instances of losses and omissions that had been recovered from the salaries of relevant parties as at 31 December 2023, had not been mentioned as recoveries in the statement of write-offs and recoveries given in Annexure (ii) as per Financial Regulation 109. | As the recoveries were being made from the parties responsible, those values could not be mentioned in the financial statements due to a mistake. | Accurate information should be mentioned in the financial statements. |

3.4 Uneconomic Transactions

With the objective of recharging and analyzing the batteries, the Sri Lanka Air Force had purchased 17 Battery Analyzers and 108 Adapters from an institution on 25 March 2022 at the value of US \$ 105,717. The following observations are made in that connection.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) A revised cost estimate in the wake of factors like inflation, should be approved by the relevant authority in terms of Guideline 4.3.3 of the Procurement Guidelines. However, it had not been done so. Accordingly, the total cost approved by the authority amounted to Rs. 24,863,776 as at 26 November 2021, but the actual expenditure incurred thereon amounted to Rs. 35,609,286.	The purchase was made from a foreign country. As the value of Dollar had increased, a sum of Rs. 35,609,286.00 had been incurred on 18 April 2022.	Approval of the relevant authority should be sought on changes in the procurement.
(b) According to Guideline 3.3 of the Procurement Guidelines, bids should be called from potential bidders giving competitive bids when international limited bidding is followed. The unit price relating to the said procurement had been shown as US \$ 2630 on the website of the relevant institution from which the purchases had been made, but that price amounted to a sum as high as US \$ 5090 at the time of assigning the procurement. Accordingly, a sum of Rs. 14,051,520 had been spent in a manner unfavorable to the Government as competitive bidding process had not been followed for this procurement.	Technical specifications and data shown on the Internet may change when items are purchased on credit basis through the tender procedure.	Procurement process should not be proceeded without examining the market prices.
(c) Although a cost as high as US \$ 105,717 (Rs. 35,520,912) had been spent on Battery Analyzers and Adapters, the number of walkie-talkies and the batteries for which those items were used was 2594 and 3282 respectively. New batteries had been purchased though, the average unit cost remained as low as Rs. 5,000. As for prioritizing the requirement of purchase, it was observed in audit that incurring a	The objective of this purchase was long-term conservation of batteries and refraining from purchasing new batteries.	Expenses should not be uneconomic.

cost of Rs. 35,520,912 for analyzing batteries of lesser value, was an uneconomic transaction.

3.5 Management Inefficiencies

The following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The Asian Aviation Pvt Ltd. that performed its operations at Katukurunda camp in Katunayake since 2001 without entering into an agreement had left the camp on 18 March 2021 without settling the dues relating to the period from April 2020 to March 2021. As such, the outstanding amount could not be recovered due to lack of an agreement.</p>	<p>As the legal director became informed that the said company used the premises of the camp without a written agreement, action was taken for their removal. The court of inquiry held in that connection decided that a sum of Rs. 350,000 be deducted from that amount thereby recovering a sum of Rs. 70,453.60. A letter of demand was sent to that company demanding the settlement of the sum of Rs. 70,453.60.</p>	<p>Legality should be ensured, and action should be taken as per the agreement.</p>

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