



Civil Aviation Authority of Sri Lanka

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# ANNUAL REPORT 2012

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Presented to Parliament pursuant to  
Section 15 of the Civil Aviation Authority of Sri Lanka Act No. 34 of 2002



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## THEME SONG OF THE CIVIL AVIATION AUTHORITY

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Sri Lanka, civil guwan seva adikariya  
kith yasasin sudile  
heli kota heli hele //

Sakvithi ravana aadi yugen dandu  
monarin guwana dina//  
Vikmathi lakdana va-riya polinuth  
pa vidu nuvana mana//

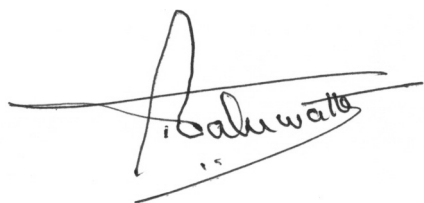
“Uvaduru thora bava sandaha mul vemu”  
vei pera vakiya ape//  
“Ikman aya maga negumehi mul vemu”  
me vei dekuma ape//

Ratavesi yuthukam itu vana ayurin  
mau bima ha bademu //  
Samaja mehewara sara daham reka  
vagateemen pudamu//

**Lyrics:** Mr. Arisen Ahubudu  
**Singer:** Dr. Pundit W. D. Amaradewa  
**Melody:** Dr. Pundit W. D. Amaradewa

## Hon. Minister of Civil Aviation,

This Annual Report has been prepared in fulfilment of the requirement specified under Section 15 of the Civil Aviation Authority of Sri Lanka Act No. 34 of 2002 and covers the activities of the Civil Aviation Authority of Sri Lanka for the year commenced on 01st January 2012 and ended 31st December 2012.

A handwritten signature in black ink, appearing to read 'Rohan De Silva Daluwatte', with a large, stylized initial 'R'.

**General Rohan De Silva Daluwatte**

Chairman

Civil Aviation Authority of Sri Lanka

28th February 2013

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## ABBREVIATIONS

A&NS	Aerodromes and Navigation Services
AA	Assistant Accountant
AAI	Assistant Aerodrome Inspector
AA(I)	Audit Assistant (Internal)
AASI	Assistant Aviation Security Inspector
AASL	Airport & Aviation Services (Sri Lanka) Ltd
AATO	Assistant Air Transport Officer
AAwE	Assistant Airworthiness Engineer
Acct	Accountant
AFM	Assistant Finance Manager
AFTN	Aeronautical Fixed Telecommunication Network
AGOI	Assistant Ground Operations Inspector
AI	Aerodrome Inspector
AIU	Accident Investigation Unit
AISO	Aeronautical Information Service Officer
AME(BL)	Aircraft Maintenance Engineer (Basic Licence)
AML	Aircraft Maintenance Licence
AMO	Approved Maintenance Organization
AMT	Aircraft Maintenance Technician
ANR	Air Navigation Regulations
ANS	Air Navigation Services
ANSI	Air Navigation Services Inspector
AOC	Air Operator Certificate
AS	Aeronautical Services
ASI	Aviation Security Inspector
ASN	Aviation Safety Notice
AT&LA	Air Transport and Legal Affairs
ATC	Air Traffic Control/ Air Traffic Controller
ATO	Air Transport Officer
Av. Sec	Aviation Security

Aw	Airworthiness
AwE	Airworthiness Engineer
BIA	Bandaranaike International Airport
CAASL	Civil Aviation Authority of Sri Lanka
CADEC	Civil Aviation Development and Educational Committee
CAO	Civil Aviation Officer
CEO	Chief Executive Officer
CIA	Chief Internal Auditor
COSCAP-SA	Co-operative Development of Operational Safety and Continuing Airworthiness Programme – South Asia
Cp	Corporate
CSI	Cabin Safety Inspector
C of R	Certificate of Registration
DCA	Department of Civil Aviation
D	Director
DD	Deputy Director
DGCA	Director-General of Civil Aviation
DO	Documentation Officer
DPIG	Development Planning & Implementation Group
EASA	European Aviation Safety Agency
ELP	Equipment Loading Plan
EU-SA	European Union – South Asia
FAL	Facilitation
FIR	Flight Information Region
FOI	Flight Operations Inspector
FS	Flight Safety
GOI	Ground Operations Inspector
GSA	General Sales Agent
HR&OM	Human Resources & Office Management
HR&OMA	Human Resources & Office Management Assistant
HR&OMO	Human Resources & Office Management Officer
IA	Internal Audit
ICAO	International Civil Aviation Organization
MEL	Minimum Equipment List
NOTAM	Notice to Airmen
OA	Office Aide
Ops	Operations
PA	Personal Assistant
PEL	Personnel Licensing
PLO	Personnel Licensing Officer
PA-AAI	Programme Assistant- Aircraft Accident Investigation
PA-AE	Programme Assistant- Aviation Examinations
PA-IT	Programme Assistant- Information Technology

PA-SP	Programme Assistant – Special Projects
S/CAASL	Secretary to the CAASL
SD	Senior Director
SAFA	Safety Assessment of Foreign Aircraft
SAISO	Senior Aeronautical Information Service Officer
SARPs	Standards and Recommended Practices
SARI	South Asia Regional Initiative
SATO	Senior Air Transport Officer
SAwE	Senior Airworthiness Engineer
SFOI	Senior Flight Operations Inspector
SLAS	Sri Lanka Accounting Standards
SLCAP	Sri Lanka Civil Aviation Publication
SLFRS	Sri Lanka Financial Reporting Standards
SP	Special Projects
SMS	Safety Management System
USAP	Universal Security Audit Programme
USOAP	Universal Safety Oversight Audit Programme

## DIRECTORY

<b>Head Office</b>	<b>: Civil Aviation Authority of Sri Lanka,</b> 04, Hunupitiya Road, Colombo 02. Telephone: 94 -11-2304632 Facsimile: 94 -11-2304644 e-mail: info@caa.lk Website: www.caa.lk  <b>Postal Address:</b> P.O. Box 535, Colombo Telegraphic Address: AIRCIVIL AFTN Address: VCCCYAYX
<b>Branch Office</b>	<b>: Civil Aviation Authority of Sri Lanka,</b> “Hilltop”, Naikanda, Minuwangoda Road, Katunayake. Telephone : 94 -11-2251076 Facsimile: 94 -11-2251076 E-mail: katcaa@caa.lk
<b>Sub-offices</b>	<b>: Airworthiness Sub Office,</b> Civil Aviation Authority of Sri Lanka, Bandaranaike International Airport Colombo, Katunayake. Telephone: 94 11 2252269 E-mail : aidbcaa@caa.lk  <b>: Airworthiness Sub Office,</b> Civil Aviation Authority of Sri Lanka, Colombo Airport, Ratmalana. Telephone : 94 11- 2635756 E-mail : aidccaa@caa.lk
<b>Auditors</b>	<b>: Auditor General, Democratic Socialist Republic of Sri Lanka</b>
<b>Lawyers</b>	<b>: Attorney General, Democratic Socialist Republic of Sri Lanka</b>
<b>Banker</b>	<b>: Bank of Ceylon</b>
<b>Insurers</b>	<b>: Sri Lanka Insurance Corporation Ltd Ceylinco Insurance Company Ltd.</b>



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## CHAIRMAN'S REVIEW

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In year 1912 at Colombo Race Course the path breaking aviation journey of Sri Lanka marked its beginning by achieving the first powered, controllable and sustainable flight. When the aviation industry of Sri Lanka celebrated its' centenary, the State regulator, Civil Aviation Authority of Sri Lanka marked its successful tenth (10th) year after succeeding the Department of Civil Aviation in 2002.

The global aviation industry has made an impressive recovery, in spite of the rising fuel price, recession, natural disasters and political changes. Year 2012 has recorded total passenger departures of 31 mn carrying 2.9 bn passengers. A growth of 5% over passengers carried has been achieved by the global airlines.

Among the other regions Asia Pacific has taken the lead by contributing 1,599 bn revenue passenger kilometers with a growth rate of 6.9% over year 2011.

Unlike the passenger market, the air cargo market has experienced a negative growth of -1.2% in year under review. This is the second consecutive growth recorded in the air cargo market since 2010.

With the post war development policies Sri Lanka is envisaged towards a massive development phase, civil aviation has been clearly identified as a catalyst to propel economic growth through establishing its position in the region as an aviation activity hub. Some of the prerequisites to meet this requirement that have been taken to enhance the stakeholder capabilities include liberalizing the existing regulatory procedures

and productive infrastructure investments for the stakeholders and sub sectors of aviation.

Alongside the said objective the State owned international operators have recorded a total passenger movement of 7.1 mn with a transit passenger movement of 1.1 mn. This growth accounts for a 15% growth of total passengers over year 2011 and remarkable 61% growth in transit volumes. Subsequently the air cargo industry has accommodated a total of 174,204 metric tons of cargo which is a 9.8% growth. Furthermore with the opening of Mattala Rajapaksa International Airport (MRIA) as the second international airport in 2013 the state government anticipate to propel economic and social growth of the country.

The core objective of the Civil Aviation Authority as the State regulator is to conduct safety oversight activities on the stakeholders of the aviation industry of Sri Lanka. Thus fulfilling this objective Sri Lanka has kept the aviation accident record as zero with one incident recorded.

Universal Security Audit Programme (USAP) concluded by International Civil Aviation Organization (ICAO) during year 2012 shows the aviation security related Standard and Recommended Practices (SARPs) compliance at a 85% as against the world (global) average of 67% for 145 States, which had been audited hitherto.

The domestic aviation industry of the country has experienced immense growth by carrying a total of 5436 passengers with Jaffna-Colombo vise-versa passage being a popular destination.

It is imperative for the regulator to be adequately equipped to be able to perform the regulatory functions so that the regulatory intent is fulfilled without degradation of standards in applications, in order to fulfill this purpose CAASL recruited nine (09) new employees to the authority. Within the organisation, CAASL believes wholeheartedly that our people are central to what we do therefore emphasis was placed on training and development of the employees by offering hundred and ninety seven (197) training, seminar, workshop, meeting and conference facilities.

Automation of the CAASL work process to establish a robust aviation safety environment was a key objective included in the work programme of the organization during year under review. Establishment of the eChecklist Solution automating the inspections report generation and dissemination was completed during year under review. Automation of the Personnel Licencing Section of CAASL is still in the process with 80% of the work has been completed. The above said automation process was facilitated through Safety Oversight Facilitated Integration Application (SOFIA) introduced by European Aviation Safety Agency (EASA) to States. Furthermore a comprehensive financial management system has been developed and implemented for the effective and efficient finance management of CAASL.

For the aviation industry to flourish, it needs a strong and ready pool of human capital and expertise. CAASL has continued with its proactive initiative on taking the aviation into the youth and Sri Lankan community

by successfully conducting educational and awareness programmes in five (05) educational zones in Anuradhapura district. Subsequently the issues of the 'Guwansara' magazine was distributed among two thousand eight hundred schools (2800).

The total income and expenditure of the CAASL for year 2012 was Rs. 977 million and Rs. 606 million respectively. Overseas Sales surcharge, service charges on embarkation levy and regulatory services are the main income generation categories of CAASL. During the year under review a 31% increase has been achieved by generating additional income through the said categories.

I wish to extend my gratitude to the Director General, members of the authority and all the employees of CAASL for their commitment and support provided when executing my functions as the chairman. Also I take this opportunity to thank the Hon. Minister of Civil Aviation and the Secretary and all the officials of the Ministry of Civil Aviation for their corporation and guidance.



**General Rohan De Silva Daluwatte**  
Chairman  
Civil Aviation Authority of Sri Lanka





## REVIEW OF THE DIRECTOR GENERAL OF CIVIL AVIATION AND CHIEF EXECUTIVE OFFICER

### Global Situation

The year under review has generated mixed results for the global aviation industry in many aspects. Global airlines performed 5.3 (+5.5 % Y/Y) trillion Revenue Passenger Kilometers and 180 billion Freight Tonne Kilometers in 31 million departures on scheduled services carrying 2.9 (+5.0% Year on Year ) billion passengers.

From safety point of view which is the primary concerns in air travel, 2012 has been the safest year since 2004 with 372 fatalities in 99 accidents recording 3.2 accidents per million departures.

In 2012, ICAO initiated action for adoption of a new Safety Management Annex (Annex 19) to Convention on International Civil Aviation specifying the globally-agreed standards and recommended practices relating to State Safety Programme (SSPs), Safety Management Systems (SMS), increased collaboration among aviation stakeholders, new information sharing initiatives and prioritization of investments in technical and human resources required for safe operations in the future.

ICAO continued with its Continuous Monitoring System (CMA) which is aimed to ascertain and monitor the level of States' compliance with International Standards and Recommended Practices relating to safety and security in civil aviation in an ongoing manner. The summary of audit results are made available to the public through their official website.

Aviation's commitment and action to improve environment sustainability was notable among

many priorities in the industry. The incorporation of aviation into Emissions Trading Tax Scheme (EU ETS) paved the way to a controversial situation between several nations. Majority of State recognized EU-ETS as a unilateral scheme which undermines national sovereignty. ICAO proposed a basket of measures for the Contracting States to reduce the CO<sub>2</sub> emission by submitting an action plan.

### Airline industry

According to information released by the International Air Transport Association (IATA) there was 5.3% year-on-year increase in passenger demand and a 1.5% fall for air freight in 2012. Airlines' Load factors for the year were near record levels at 79.1%. Demand in international markets expanded at a faster rate (6.0%) than domestic travel (4.0%). In both cases emerging markets were the main drivers of growth. The freight load factor for the year was 45.2%. Passenger demand grew strongly in 2012 despite the economic recession, demonstrating how integral global air travel was for today's connected world. At the same time, near-record load factors illustrated the extreme care airlines were taking to manage capacity. Growth and high aircraft utilization combined to help airlines deliver an estimated \$6.7 billion profit in 2012 despite high fuel prices. However airlines' net profit margin remained at just 1.0%. In contrast to the growth in passenger markets the air cargo market contracted by 1.5%. This was mainly due to world trade decline and the goods that were traded shifted towards bulk commodities more suited for sea shipping. During the year under

review fuel price has accounted for a portion of 33% in the operating expense structure of an airline. Today's airlines spend 5 times the costs they used to spend in 2003 for their fuel.

### Economic aspect of global aviation industry

Air transport plays a major role in developing nations, generating \$490 billion in economic activity globally. About 35.9 million jobs supported by aviation are based on developing economies which accounts for well over half of the jobs. IATA has estimated that by 2030, total of 82.2 million jobs will be supported by aviation and the contribution to the economic activity will account for \$6.9 trillion. A total of goods transported by air annually accounts for \$ 5.3 trillion which is 35% of all world trade.

### Aircraft deliveries

Boeing Company delivered a company record of 601 aircraft (since 1999) and Airbus Company delivered a company record of 588 aircraft in 2012. Boeing had delivered 49 of their newest B-787 aircraft to 8 customers and Airbus had delivered 99 of A380 aircraft to 9 customers by the end of the year.

### Regional Situation

The industry forecast revealed that during the next 20 years, nearly half of the world's air traffic growth would be driven by travel generated to and from Asia Pacific Region. Out of the 20 busiest world's international airports, 6 airports are located in Asia Pacific region with Beijing airport ranking the 2nd place in the world, having handled 74 million passengers in 2012. The region has recorded a net profit growth of 5.4% for year 2012 which accounts for the highest growth rate among the other regions. Asia Pacific Region has recorded a 2.3% rate in relation to the Revenue Tonne Kilometre (RTK) in year 2012. Among all these positive growth in 2012, the decline in the Indian Aviation sector was notable. The Indian Airlines has debts of more than \$8 billion and Kingfisher Airline had recorded a debt of \$2 billion.

### Domestic Situation

2012 has been a challenging yet another remarkable year for the aviation sector in Sri Lanka. Perhaps no better year for the aviation industry in Sri Lanka to mark its centennial.

The post war economic policies of the government have identified civil aviation sector as one of the catalysts in driving the economic development of the country with the goal of establishing an Aviation Hub under the five (05) hubs recognized in 'Mahinda Chinthana'.

In 2012 the total passengers handled at Bandaranaike International Airport (BIA) passed the 7.2 million mark with a growth rate 15% (Y/Y), while the transit passenger volume grew by a tremendous percentage (61%). The aircraft movements reached closer to half a million with a growth rate of 12%.

SriLankan Airlines, the national carrier has carried 88% of the passengers who transited via BIA. Mihin Lanka Ltd. the State owned low cost carrier has carried 8% of the passengers visited Colombo, Chennai, Dubai, Singapore, Male and Doha had been the most preferred destinations among the air travelers travelled from Colombo.

Domestic aviation experienced a phenomenal growth in recording more than 200% growth during the year under review. Passenger growth in the Jaffna – Rathmalana corridor and vv. has been a significant contributor for the growth. While the domestic aviation sector has recorded its growth, the general aviation sector has experienced a decline in its balloon operations compared to year 2011. Furthermore para motoring was included to the general aviation segment of the country.

In 2012, Sri Lanka faced an Audit conducted by ICAO under its Universal Security Audit Programme (USAP). The audit results showed the significant performance of the State with over 85% of compliance with Aviation Security related Standards and Recommended Practices (SARPs) against the global average of 67% of 145 States.

Airport & Aviation Services was busy in completing the construction of country's second international

airport Mattala Rajapaksa International Airport (MRIA). The CAA also embarked concurrently on the certification process of the airport. The airport is expected to commence its operations on 18th March 2013.

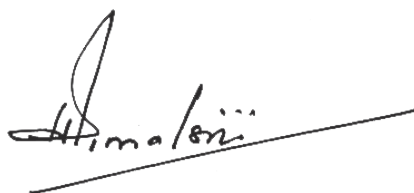
Safety performance of Sri Lanka remained same as in year 2011 with no serious accidents or incidents reported. However a severe injury to a stewardess and minor injuries to twelve (12) other passengers in one of the Sri Lankan flight during turbulent conditions in flight regrettably spoilt the desire of the CAA to maintain its safety performance targets. Steps were also taken to mark 100 years in aviation in Sri Lanka by conducting a series of activities with the main function being held at Temple Tress on 07th December 2012 with the participation of His Excellency the President.

CAASL has increased its revenues by 31% as against an expenditure which increased by 92% during the year under review. Overseas Sales Surcharge, Service Charges from Embarkation Levy and Regulatory Services were the main contributor to the income generation of CAASL whereas budgetary allocations accounted for the regulatory development based on the new

Civil Aviation Act and the aviation centenary celebrations, staff expenses and welfare activities were among the main expenditures incurred.

I take this opportunity to thank the Hon. Minister of Civil Aviation, Secretary and staff attached to the Ministry of Civil Aviation for their support and co-operation rendered to execute the functions of this office.

Also I wish to thank the Chairman, Vice Chairman and members of the Authority who have painstakingly assisted and guided me in my functions. At last but not least I wish to avail myself of this opportunity to thank the staff of the CAA who are highly motivated, disciplined and loyal for carrying out their duties efficiently.



**H.M.C. Nimalsiri**

Director General of Civil Aviation  
& Chief Executive Officer

# PROFILE

## Overview

The Civil Aviation Authority of Sri Lanka (CAASL) was established under the Civil Aviation Authority Act No. 34 of 2002 on 27th December 2002 and is deemed a Public Enterprise for the purpose of audit of accounts under Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka.

The primary function of the CAASL is to undertake activities that promote civil aviation safety, security, efficiency and regularity in keeping with International Standards and Recommended Practices adopted by the International Civil Aviation Organization (ICAO) and in pursuance of the provisions in the Civil Aviation Act No.14 of 2010 and to steer the civil aviation sector in Sri Lanka as a prime contributor to the growth of national economy, enhancing the quality of life of its citizens.

The Civil Aviation Authority of Sri Lanka consists of eight (08) members.

Five (05) of them are appointed by the Minister in-charge of the subject of Civil Aviation.

The Secretary, Ministry of Defence, a representative of the Minister in- charge of the subject of Finance and the Director-General of Civil Aviation are serving the CAASL as the ex-officio members.

The term of office of the appointed members is three (03) years from the date of appointment.

The Authority is subject to direction and control of the Minister in-charge of the subject of civil aviation, who at present is the Minister of Civil Aviation.

## Members of the CAASL

### Members appointed by the Minister

General Rohan De Silva Daluwatte (Chairman)

Mr J M S W Jayasundara (Vice Chairman)

Mr. K V N Jayawardene (Member)

Mr. Zaki Alif (Member)

Mr Dinesh Gallage (Member)

### Members - ex-officio

Secretary, Defence (Mr Gotabaya Rajapaksa)

Representative of the Ministry of Finance (Mr W I Tissera)

Director General of Civil Aviation ( Mr H M C Nimalsiri)

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**Chairman**  
**General Rohan de Silva Daluwatte,**  
**WWV, RWP,RSP, VSV, USP, LOM, ndc, psc**

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Chairman, General Rohan de Silva Daluwatte, WWV, RWP,RSP, VSV, USP, LOM, ndc, psc received his primary education at Dharmapala Vidyalaya, Pannipitiya and secondary education at Ananda College Colombo where he excelled both in his studies and in sports.

He joined Sri Lanka Army in 1961 and was sent to the Royal Military Academy, Sandhurst UK for his Officer Cadet training. Having passed out first amongst the Sri Lankan Cadets, he was posted to the Armoured Corps as a 2nd Lieutenant and sent to the Royal Armoured Corps Centre, Bowington, UK, for his young officers course. Since then he received many training courses including the prestigious staff College Course at Wellington, India and National Defence Course at New Delhi India. During his illustrious career of 41 years he has held many important command, staff and training appointments such as overall Operations Commander, Chief of Staff, Divisional Commander, Brigade Commander and Commandant Army Training Centre.

He also conducted many operations including the most important, OPERATION RIVIRESSA, where he as the overall Operations Commander North and East, liberated Jaffna Peninsula in 1995.

He also attended many international seminars including Pacific Armies management seminar which was co-hosted by Gen Daluwatte and Commander Pacific Army, USA, where he was awarded the LEGION OF MERIT by the President of USA, for the exceptional meritorious conduct in the performance of outstanding service.

Having reached the pinnacle of his career as the Commander of the Army he retired from the Army in December 1998. In appreciation of the valuable service rendered he was promoted to the rank of General and appointed Chairman of the Joint Operations Bureau. When the Army was loosing ground in Wannai and was about to loose Jaffna Peninsula, he was appointed as the Chief of Defence staff and was sent to Jaffna to arrest the situation. Having accomplished the task successfully, he finally retired from the military service in 2002. Thereafter, he was posted to Brazil as an Ambassador, where he had to establish an Embassy as there was no mission at that time. At the end of his tour of duty as Ambassador, he was awarded the prestigious GRAND CROSS OF THE NATIONAL ORDER OF THE SOUTHERN CROSS by President of Brazil in recognition of his outstanding contribution, in the promotion of good relations between Brazil and Sri Lanka.

When he returned to Sri Lanka he was appointed as the Chairman /CEO of the National Gem and Jewelry Authority in the year 2011 and, in 2012, he was appointed as the Chairman of CAA. He was also appointed as the Chancellor of the Kotelawala Defence University.

He being a keen and versatile sportsman, won colours for Athletics, Basketball, Cricket, Badminton and Tennis. He represented National Basketball team for twenty years, and captained the team as well. The most outstanding achievement in Athletics was when he won the Triple Jump event at the British Army Championships, and having represented the British Combined Services in Athletics at the British National Athletic meeting, he was able to win the British Combined Services Colours for Athletics.

Throughout his career he has proven his management skills in every task he has undertaken.





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**Vice Chairman**  
**Mr J M S W Jayasundara**

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Mr J M S W Jayasundara was an outstanding sportsman who had his primary education at Dharmaraja College Kandy. He joined the Police Department in 1971 and retired as a deputy Inspector General after 37 years of service with an unblemished record. He had been to Japan, Malaysia, Scotland Yard, USA and France for training during his illustrious career. He is also a life time member of the International Police Association. He was the Director Special Tasks-Airport and Aviation Services (Sri Lanka) Limited, before assuming duties as the Vice Chairman and a member of the Board of Civil Aviation Authority of Sri Lanka.



## **MR GOTABAYA RAJAPAKSA-RWP, RSP** Secretary Defence - Ministry Of Defence (Member Ex-Officio)

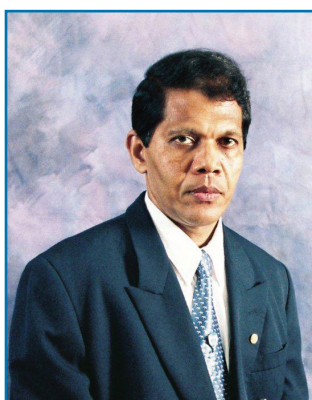
Mr. Gotabaya Rajapaksa RWP, RSP had his early education at Ananda College, Colombo. Being an alumni of Army Training Centre, Diyatalawa, he

was commissioned into Sri Lanka Signal Corps on 26th May 1972.

In 1974, he was transferred to Sri Lanka Sinha Regiment. He also has served in Rajarata Rifles (in 1980) and in Gajaba Regiment (in 1983), where he served until his premature retirement in 1991, at the rank of Lieutenant Colonel. During his illustrious

career in the Army Mr. Rajapaksa followed a number of prestigious courses including Defence Services Staff College at Wellington, India and the Infantry Officers' Advance Course in USA. Mr. Rajapaksa is a veteran of the Vadamarachchi Operation. He Commanded 1st Battalion of the Gajaba Regiment during this Operation.

He successfully commanded the same Battalion during Thrivida Balaya, Jayashakthi operations in 1990. He also held the post of Deputy Commandant of Kothalawela Defence Academy. He was also awarded Rana Wickrama and Ranasura Medals for his distinguished, outstanding and successful service career.



## **MR H M C NIMALSIRI** Director General of Civil Aviation and Chief Executive Officer – (Member Ex-officio)

Mr H M C Nimalsiri is the Director General of Civil Aviation and Chief Executive Officer of the Civil Aviation Authority of Sri Lanka since its inception in 2002. He

functioned as the Assistant Director (Operations) in the Department of Civil Aviation since 1987 and has been a pillar of strength in the CAASL. Mr. Nimalsiri is amongst a few officials who pioneered drafting the new legislative framework in Civil Aviation. He introduced institutional reforms in the former Department of Civil Aviation, which led to the formation of the Civil Aviation Authority of Sri Lanka and the introduction of the Civil Aviation Bill.

He has followed numerous training courses relating to air transport, aviation safety & security, navigation services, safety auditing, safety management systems etc/ and possesses an extensive knowledge and experience in Civil Aviation. He has participated in various regional and international conferences on Civil Aviation and has taken part in many

bilateral air services negotiations with foreign States representing the CAASL and the former Department of Civil Aviation. In 2007 he was seconded to ICAO as the Regional Programme Co-ordinator of COSCAP-SA which is under the International Civil Aviation Organization, for a term of three years under a leave of absence granted by the Government of Sri Lanka.

Mr Nimalsiri has obtained a B.Sc degree from the University of Colombo and has completed a M.Sc degree in computer science in the same University. He has also obtained a Flight Operations Officer Licence after following a qualifying training course in Ulynovsk, Russia. Mr. Nimalsiri also serves as a visiting lecturer of the University of Moratuwa, which offers a B.Sc special degree on Transport and Logistics Management with aviation as one of the streams of subjects.

Mr. Nimalsiri has been elected as the Second Chairman of the Asia Pacific Air Navigation Planning & Implementation Group (APANPIRG) which is steered under ICAO, for planning and implementation of air navigation matters in countries in the Asia and Pacific regions.



## **MR W I TISSERA**

### **Representative of the Ministry of Finance (Member Ex-Officio)**

Mr Ivan Tissera started his career as a Government Accountant in 1982. He has served as the Accountant at the Kachcheri, Badulla from 1982 to 1993. He was

promoted as the Deputy Director in 1993 and attached to the Department of State Accounts of the General Treasury. During his career in the Department of State Accounts he had the opportunity to serve in different subject areas such as cash management, revenue etc. During his tenure at the Department of State Accounts, he submitted new Guidelines on Government Fixed Asset Management as the Chairman of the Committee and submitted a comprehensive study report on Financial Management system in the Sri Lanka Army. In January, 2000 Mr. Tissera was appointed as the Senior Consultant and the Head of the Centre for Financial Management at the Sri Lanka Institute of Development Administration ( SLIDA ). In January, 2004, he was offered the post of Procurement Specialist in the Improving Relevance and Quality of Undergraduate Education (IRQUE) in the Ministry of

Higher Education. When the National Procurement Agency (NPA) was established in October, 2004, Mr Ivan Tissera was selected as the Director Capacity Building, Research and Development of the NPA. Mr. Tissera has introduced a new diploma program on 'Public Procurement and Contract Administration' to develop local expertise in public procurement and has trained thousands of public officers. After closing of the NPA, its activities were transferred back to the Department of Public Finance and Mr. Tissera was appointed as the Additional Director General in charge of procurement management. From January, 2011, he was appointed as the Additional Director General to the Department of Foreign Aid and Budget Monitoring of the Ministry of Finance and Planning.

Mr Ivan Tissera is a B.A Economics ( Hons ) graduate of the university of Peradeniya and has earned his Master of Commerce in Economics from the university of Wollongong, Australia. He is a fellow member of the Institute of Public Finance and Development Accountancy. At present he serves as a member in the boards of Ceylon Transport Board, Sri Lanka Institute of Standards and the Civil Aviation Authority.



## **MR K V N JAYAWARDENE**

Mr. Nihal Jayawardene a product of St. Anthony's College Kandy, enrolled himself as an Attorney at Law in 1983 and was awarded the Masters Degree in Public International Law by University College London after successful

completion of the Course specialising in the area of Air and Space Law in the 1990-91 Academic-year. Mr. Jayawardene carries a vast experience in the field of Aviation Law being the Supervising Officer of Air Law at the Attorney General's Department from 1998 to May 2005. Mr. Jayawardene also functioned as a Legal Advisor to the Department of Civil Aviation and actively participated in the drafting of the Civil Aviation

Authority Act No. 34 Of 2002 and the Civil Aviation Act No. 14 Of 2010. He has participated in the negotiation of numerous Bi- lateral Air Services Agreements with various Countries as the legal advisor to the Sri Lankan Delegation.

Mr. Jayawardene was initially appointed as a member of the Civil aviation Authority in December 2004. He was nominated by the Civil Aviation Authority of Sri Lanka to participate at the High Level Safety Conference held in Montreal in March 2010 and to represent Sri Lankan Delegation at the 37th General Assembly of the International Civil Aviation Organisation held in September and October 2010 as an initial measure of a long term plan for the Policy makers of the Authority to familiarise with the vision and the planned strategies to harmonise Internationally acceptable legal regime, Standards and Recommended Practices.



He also functioned as a member of the Team of Legal Consultants to the Public Enterprises Reform Commission from 1996. As a member of this team he participated in almost all leading restructuring programmes carried out by the Government from 1996 to 2005 in respect of State Institutions and Companies of which Shares were owned by the Government, including the re-structuring of the National Carrier Air Lanka. In April 2003 he became the Leader of this Team of Legal Consultants and served in that capacity until his retirement from Public Service in May 2005.

Mr. Jayawardene participated in the Company Law reforms process from May 1993 which resulted in

the enactment of the Companies Act No. 7 of 2007. As recognition of his significant contribution in the drafting process he was appointed as a Member of the Company Law Advisory Commission in August 1998 in which capacity he continued to serve till December 2008.

Mr. Jayawardene reverted to the Private Bar after his retirement from the Official Bar in May 2005.

He is serving as a Director of Hotel Developers (Lanka) Ltd, the owning company of Hilton Hotel Colombo, was a Director of Milco (Private) Limited and Director and the founder Chairman of Lanka Sathosa Limited.



### MR. ZAKI ALIF

Mr Zaki Alif is the Director of Stassen Group of Companies, and is the Chairman of Dambadeniya

Development Foundation. In addition, he is the Managing Trustee of Hambantota Development Foundation.



### MR DINESH GALLAGE

Mr. Dinesh Gallage had his early education at Mahinda College, Galle. He has a B.Sc.(Hons) Degree in Electronics & Telecommunication Engineering from University of Moratuwa. He is a Chartered

Engineer recognized by the Institution of Engineering Sri Lanka (IESL). He completed a MBA at the University of Ruhuna.

Mr. Dinesh Gallage started his career as a Research Engineer at Arthur C Clarke Institute for Modern Technologies in year 1999. Then he has joined

General Sales Company Limited as a Bio Medical Service Engineer. He gathered his initial training and experience in data communication, while he was working at Suntel limited as an Engineer.

He resigned from Suntel Limited in 2001 and joined Sri Lanka Telecom as a Regional Manager and was subsequently appointed as the Operation & Maintenance Manager. Mr. Dinesh Gallage was promoted as the Deputy General Manager in year 2008 and is presently serving as the Deputy General Manager of Southern Province. He is an External Member of the Faculty of Engineering, University of Ruhuna. He is also a Corporate Member of the Institution of Engineering Sri Lanka (IESL).

# GOVERNANCE AND ACCOUNTABILITY OF CAASL

## Role of the Authority

**The Major role of the Authority includes, but is not limited, to the following:**

- » Communicating with the Hon Minister and other Government stakeholders to ensure their views are reflected in the planning of the Civil Aviation Authority;
- » Employment of qualified and skilled personnel and determine their terms and conditions of service including remuneration to be able to perform CAASL's functions and duties;
- » Setting policies and goals in the field of civil aviation and monitoring organizational performance towards achieving the objectives of the CAASL;
- » Delegating responsibility for the achievement of specific objectives of the Director-General of Civil Aviation who is also the Chief Executive Officer, CAASL - ex-officio;
- » Accountable to the Hon Minister on plans and progress towards the implementation and;
- » Ensuring systems of internal controls are maintained.

## Organizational Structure

The Authority is composed of Members who have diverse skills and experience in business, legal and aviation industry in order

to bring a wide range of thought to bear on policy issues. Once appointed, all Members are required to act in the best interest of the Civil Aviation Authority and must acknowledge that the Authority must stand unified behind its decisions and that individual Members have no separate governing role outside the Authority.

In terms of the Civil Aviation Authority of Sri Lanka Act No. 34 of 2002, the Cabinet of Ministers appoint the Director-General of Civil Aviation who shall also be the Chief Executive Officer of the Civil Aviation Authority by Statute. He shall be subject to such terms and conditions of employment as shall be determined by the Cabinet of Ministers, and shall carry on all such duties and functions assigned to him by or under the Civil Aviation Authority of Sri Lanka Act or any other written law and, be charged with the general administration of the functions of the Authority. The Authority directs the Chief Executive Officer by delegating powers and functions for achievement of CAASL's objectives through setting policies.

## Authority Committees

The Authority has set up five standing committees viz, Staff Committee, Finance Committee, Planning Committee, Audit Committee and Civil Aviation Development and Education Committee to focus more attention on specific issues. Each committee has been delegated powers for establishing and monitoring the organization's progress towards meeting the objectives of the Authority.

## Staff Committee

**The Staff Committee is responsible to the Authority in respect of the following matters:**

1. Adoption of an organizational structure and modification thereto as and when necessary;
2. Determination of salaries and cadre;
3. Staff matters pertaining to selections, recruitments, appointments, promotions, demotions, retirements / terminations etc;
4. Staff disciplinary actions;
5. Monitoring the Annual Work Programme of the CAASL;
6. Development of Administrative Rules and Procedures for CAASL;
7. Development of Disciplinary Procedures for CAASL Staff;
8. Development of Office Procedures for CAASL;
9. Grant of scholarships for CAASL Staff;
10. Development of compensation schemes for premature retirement for DCA staff, and
11. Development of social and welfare schemes for CAASL staff.

**The Staff Committee comprises the following Members of the CAASL:**

1. General Rohan De Silva Daluwatthe, Chairman
2. Mr. H M C Nimalsiri, DGCA/CEO
3. Mr. K V N Jayawardene, Member

## Finance Committee

**The Finance Committee is responsible to the Authority in respect of the following matters:**

1. Preparation of Annual Budget Programme;
2. Development of Financial Rules and Procedures for CAASL;
3. Monitoring the purchase of equipment, facilities or services;
4. Monitoring the avenues of revenue of the CAASL and
5. Thrift Management in CAASL.

**The Finance Committee comprises the following Members of the CAASL:**

1. General Rohan De Silva Daluwatthe, Chairman
2. Mr. H M C Nimalsiri, DGCA/CEO
3. Mr. W I Tissera, Representative of the Ministry of Finance

## Planning Committee

**The Planning Committee is responsible for the following matters:**

1. Development of National Civil Aviation Policy;
2. Development of a National Civil Aviation Development Plan;
3. Review of Primary and Subsidiary Legislation relating to Civil Aviation and introduce amendments, where necessary;
4. Monitoring the implementation of National Civil Aviation Security Programme
5. Monitoring the implementation of National Air Transport Facilitation Programme;
6. Monitoring Civil Military Co-ordination;
7. Monitoring Air Service Operations, and
8. Monitoring the activities of Aeronautical Service Providers.

**The Planning Committee comprises of all eight Members of the Authority.**

## Audit Committee

**The Audit Committee is responsible for the following matters:**

1. Determination of the responsibility of the Internal Audit Unit and review the annual audit plan;
2. Review and evaluate internal control systems for all activities of the entity;
3. Review performance at regular intervals to ensure cost effectiveness and to eliminate wasteful expenditure etc;
4. Liaise with external auditors and follow up on Auditor General's management letters;

5. Ascertain whether statute, regulations, rules and circulars are complied with;
6. Review financial statements to ensure compliance with accounting standards;
7. Review internal audit / external audit reports, Management letters for remedial action;
8. Review implementation of recommendations/directives of the Committee on Public Enterprises;
9. Prepare report on the findings of the Committee for inclusion in the Annual Report and
10. Report on all audit matters to the Authority as and when requested to do so by the Authority.

**The Audit Committee comprises of the following members**

1. Mr. W I Tissera-Chairman (Treasury Rep)
2. Mr Sarath Jayasundara, Vice Chairman
3. Mr Dinesh Gallage, Member
4. Mr Rohan Senewirathne (Rep of Defence Secretary)
5. Mr K V N Jayawardane
6. Mr S M Chandrapala, Rep from Ministry of Civil Aviation

**Civil Aviation Development and Education Committee (CADEC)**

The Civil Aviation Development and Education Committee comprising the following employees of the Civil Aviation Authority was established in August 2010 for planning, development and implementation of special programmes aimed at enhancing public awareness in civil aviation activities. This Committee is headed by the DGCA& CEO and assisted by the Senior Director and Director (Corporate).

1. Mr. Dev Kowsala Samarajeewa-Vice Chairman
2. Mr. Gimhan Dabarera-Secretary
3. Ms. Manjula Wickramanayake-Treasure

**Members**

4. Ms. Dulanjali Mapitiyage
5. Ms. C.H Kodithuwakku
6. Mr. Nilantha Thennakoon

7. Mr. T.M.Y.B Tennakoon
8. Ms. G.E Millawithanachchi
9. Mr. M.H.I.K Gunawardane
10. Mr. S.P.B Wattewewa
11. Mr. R.L Talagala

**Connection with Stakeholders**

The Authority acknowledges its responsibility to keep in contact with stakeholders, in particular, to remain cognizant of the expectations of the Hon. Minister of Civil Aviation.

**Responsibility of the Authority and Senior Management**

Key to the efficient functions of the Civil Aviation Authority is that there is a clear demarcation between the role of the Authority and the Senior Management headed by the CEO.

The Authority concentrates on setting high level policies and strategies, and then monitors progress towards meeting the objectives.

The Senior Management is concerned with implementing these high-level policies and strategies.

The Authority stands apart and does not have responsibility for the specific regulatory obligations of the Director-General of Civil Aviation as set out in the Air Navigation Act or Regulations made thereunder or any other written law.

The Authority clearly demonstrates these roles by ensuring that the delegation of powers and functions to the Director-General of Civil Aviation and Chief Executive Officer of CAASL is concise and complete.

**Accountability**

The Authority and its Committees hold frequent meetings to monitor the progress towards its strategic objectives and to ensure that the affairs of the Civil Aviation Authority are being managed and conducted in accordance with the Authority's policies, strategic directions, and expectations as set out in its 3 year Business Plan.

## Conflict of Interest

The Authority maintains an Interests Register and ensures that the Authority Members are aware of their obligations to declare interests. This approach is also reflected in the maintenance of a conflict of interest register for staff.

## Internal Audit

While many of the Authority's functions have been delegated, the overall responsibility for maintaining effective systems of organisational control remains with the Authority.

Internal controls include the policy systems and procedures established to ensure that the specific objectives of the Authority are achieved. The Authority and the Senior Management have acknowledged their responsibility by signing the Statement of Responsibility, contained in this report.

The Authority has an internal audit unit that is responsible for monitoring systems of internal control in each of the CAASL Sections. This unit is concerned with the quality of overall services rendered by the CAASL and reliability of financial and other information reported to the Authority.

Internal Audit operates independently of the senior management and reports its findings directly to the Director General of the CAASL who is also the CEO of the CAASL and to the Audit Committee as per the set protocols.

## Legislative Compliance

The Authority acknowledges its responsibility to ensure that the organisation complies with

all legislation. The Authority has delegated responsibility to the senior management for the development and operation of a Programme to systematically identify compliance issues and ensures that all staff is aware of legislative requirements that are particularly relevant to them.

The Authority has decided that application of general or specific circulars and /or directives issued by the Government organisations to the Authority would only be confined to the extent as may be determined by the Authority on case by case basis. Hence each circular issued by a Government Department will not automatically be applied in the management of the CAASL unless the Authority examine its contents and decides as to the scope and extent of application of such directives.

## Ethics

The Authority, having developed a code of ethics, regularly monitors whether all members of the staff maintain high standards of ethical behavior and practice the principles of 'good corporate governance. Monitoring compliance with ethical standards is done through means such as monitoring trends in complaints and disciplinary actions, internal audit reports, or any reports or indications that show non-conformance with the principles contained in the code of ethics.

Good corporate citizenship involves the Authority, including its employees, acknowledging that it is a member of many communities outside of itself and the industry it oversees and making a commitment to act in a manner consistent with the morals and accepted rights and responsibilities of all citizens of those communities.



# CIVIL AVIATION AUTHORITY OF SRI LANKA

## Vision

To be a prime catalyst to the growth of the National Economy.

## Mission

To facilitate through strategic planning and effective regulation, the operation of a safe, secure and efficient national civil aviation system that conforms to International Standards and Recommended Practices.

## Motto

“Safe Skies for All”

## Philosophy

“Sri Lanka’s airspace is a public asset that shall be managed for the progress and well being of the posterity of Sri Lanka”.

## Goals

- » To achieve or exceed safety outcome targets set by the CAASL;
- » To be appropriately resourced;
- » To be professional and competent;
- » To attain wide credibility and recognition;
- » To sustain its achievements; and
- » To be a strong facilitator for planning and development of civil aviation.

## Strategies

- » Improved and consistent implementation of

statutory functions and fulfillment of social obligations;

- » Identification and implementation of solutions to significant aviation problems;
- » Introduction of specific culture change initiatives;
- » Working in co-operation and partnership with the Aviation Industry;
- » Operating in a transparent manner and communicating effectively both externally and internally;
- » Maintaining the effectiveness and consistency of all documents, materials, and internal procedures

## Values

The CAASL and its employees:

- » assign the top priority and importance to aviation safety and promote safety culture;
- » excel in the services being provided to the CAASL clientele;
- » have a ‘can do’ attitude in everything being undertaken;
- » aim to be reliable and realistic;
- » are willing and able to change in pursuit of continuous improvement;
- » work together to achieve success;
- » are open, honest and transparent;
- » promote efficiency and regularity in everything being done;

- » trust and respect colleagues thereby uphold teamwork;
- » value everyone's contribution;
- » recognize social responsibilities and obligations;
- » enjoy what is being done;
- » take pride in the professional approach;
- » have a balanced home and work environment.

### CAASL's immediate targets

- » To prevent fatal accidents in the commercial aviation sector;
- » To prevent hijacking and unlawful interference in civil aviation activities;
- » To prevent general aviation accidents;
- » To prevent fatal accidents on ground at airports;
- » To reduce accidents in engineering/maintenance workshops;
- » To achieve and maintain commercial flight incident ratio below 1 per 10,000 flying hours;
- » To reduce the general aviation flight incident ratio below 1 per 5,000 flying hours;
- » To reduce the flying incident ratio at flying colleges 1 per 10,000 flights;
- » To reduce the number of commercial flight incidents ratio involving Ground Support 1 per 20,000 flying hours;
- » To reduce the number of general aviation flight incidents involving ground Support 1 per 10,000 flights;
- » To reduce the number of flight incidents ratio involving ATS Support 1 per 50,000 flights;
- » To minimize delays in on-time departures;
- » To make air travel affordable to people of average class;

- » To improve the quality of service in air travel;
- » To minimize congestion and expedite passenger processing at airports, whilst being mindful of the security requirements;
- » To minimize operational costs in the air transportation and eliminate waste; and,
- » To minimize adverse effects of aviation on the environment.

### Outcome

- » Fulfillment of the State's international obligations in the field of civil aviation and constant implementation and enforcement of international standards and recommended practices;
- » International recognition of the civil aviation system of Sri Lanka which is free from embargoes / restrictions
- » Enhanced Safety, security, efficiency and regularity in civil aviation and consequential public confidence in the air transport system;
- » Optimum use of Sri Lanka airspace for the well being of the citizens of Sri Lanka;
- » Socio-economic development of the country;
- » Prevention of economic waste caused by unreasonable competition;
- » Improved access and mobility of people and goods;
- » Dependable services in the field of civil aviation;
- » Education in the field of civil aviation;
- » Promotion of all aspects of civil aeronautics;
- » Protecting and promoting public health;
- » Proper legal framework for effective regulation and enforcement;
- » Environmental Sustainability

## Outputs

Output Class	Output
<b>Policy Advice</b>	<ul style="list-style-type: none"> <li>• Advise the Government &amp; other organizations</li> <li>• Legislative Reforms</li> <li>• Development of Rules</li> <li>• Development and promulgation of Implementing Standards</li> <li>• Development of Aviation Policy</li> <li>• Development of manuals of procedures</li> <li>• Master planning of aviation infrastructure</li> </ul>
<b>Safety Assessment &amp; Certification</b>	<ul style="list-style-type: none"> <li>• Risk management of:</li> <li>• Airport/Airfield sector safety;</li> <li>• Airlines sector safety;</li> <li>• General aviation sector safety;</li> <li>• Personnel licensing safety;</li> <li>• Flying training safety;</li> <li>• Aircraft maintenance safety and</li> <li>• Aviation services sector safety risk management.</li> </ul>
<b>Safety Analysis, Information and Promotion</b>	<ul style="list-style-type: none"> <li>• Safety investigation</li> <li>• Safety analysis</li> <li>• Safety information, education and promotion</li> <li>• Aircraft Accident &amp; Incident Investigations and implementation of safety recommendations</li> </ul>
<b>Authorization</b>	<ul style="list-style-type: none"> <li>• Airline schedule approval</li> <li>• Airfare approval</li> <li>• Travel agent certification</li> <li>• Registration of aircraft</li> <li>• Authorization for import of aircraft spare parts</li> <li>• Authorization of tall structure constructions</li> <li>• Authorization for GSA</li> <li>• Designation of local carriers for international operations</li> </ul>
<b>Security Assessment</b>	<ul style="list-style-type: none"> <li>• Civil aviation sector security risk management</li> </ul>
<b>Enforcement</b>	<ul style="list-style-type: none"> <li>• Responses to regulatory breaches</li> <li>• Enforcement of public health and hygienic requirements</li> </ul>
<b>Assistance to the Government</b>	<ul style="list-style-type: none"> <li>• Collection of embarkation levy from Airlines</li> </ul>



## REGULATORY SCOPE

By the end of 2012 the Regulatory Scope of the Civil Aviation stood as follows

Regulated Area	2012	2011	Increase (%)
<b>Airports</b>			
Domestic Land Airports	12	12	-
Domestic Water Aerodromes	15	15	-
International Airports(With RMA)	02	02	-
International Airports (Developing )	01	01	-
<b>Airlines</b>			
Local Airlines	08	08	-
International Airlines	30	28	7%
<b>Training Organizations</b>			
Flying Schools	06	06	-
Engineering/Maintenance Schools	03	-	-
Air Traffic Service related	01	01	-
<b>Aeronautical Service Providers</b>			
Aerodromes	01	01	-
Air Traffic Services	01	01	-
Aeronautical Ground Aids	01	-	-
Aeronautical Telecommunication Services	01	-	-
Aviation Security Services	01	-	-
Ground Handling Services	01	-	-
Catering Services	01	-	-
Aircraft Refueling & Lubricant supply	01	-	-
<b>Aircraft</b>			
Ultra-light aircraft	2	-	-
Light Aircraft	8	8	-
Medium Aircraft	3	3	-
Heavy Aircraft	32	27	18.5%
Helicopters	7	6	16.67%
Hot Air Balloons	7	7	-

Regulated Area	2012	2011	Increase (%)
<b>Flying Training Devices</b>			
Local Simulators	01	-	-
Foreign based simulators	06	11	-45.45%
<b>Personnel</b>			
Student Pilot Licence Holders	202	177	14.12%
Private Pilot Licence Holders	146	127	14.96%
Commercial Pilot Licence Holders	325	270	20.37%
Air Transport Pilot Licence Holders	319	371	-14.01%
Air Traffic Control Licence	76	60	26.6%
Aircraft Maintenance Engineer Licence Holders	175	283	-38.16%
Aircraft Maintenance Licence Holders	397	265	49.81%
Flight Dispatcher Licence Holders	175	175	-
Aeronautical Station Operator Licence Holders	04	04	-
Cabin Crew member certificate Holders	1134	1013	11.09%
Flying Instructors	20	15	33.33%
Assistant Flying Instructors	17	16	6.25%
Ground Instructors	22	22	-
Flight Examiners	08	08	-
Designated Check Pilots	32	27	18.51%
Designated Aeronautical Medical Examiners	06	06	-
Certified Aviation Security Screeners	470	-	-
<b>Air Transport Service Providers</b>			
Global Distribution Service Providers	4	4	-
Air Transport Service Provider Licence - Group A	425	356	19.38%
Air Transport Service Provider Licence - Group B	25	49	-48.97%
General Sales Agents	32	28	14.28%
<b>High Rise constructions</b>			
Telecommunication towers	5871	5220	12.47%

## DIRECTION AND MANAGEMENT

### THE AUTHORITY AND ITS COMMITTEES

#### Board Members

Honourable Minister of Civil Aviation appointed the Board of Members to the Civil Aviation Authority in terms of the CAASL Act 34 of 2002. General Rohan Daluwatte, Mr J M S W Jayasundara (Vice Chairman), were appointed as the Chairman and Vice Chairman respectively.

#### CAASL Meetings

The Civil Aviation Authority of Sri Lanka held twelve (12) meetings during the period under review and passed one hundred and sixty nine (169) resolutions for the progress and well being of both the CAASL and the civil aviation industry that it regulates. The Staff Committee met two (02) times and Audit Committee of the CAASL met eight (08) times respectively during the period under review.

#### Senior Management

##### Centenary Celebration of Aviation in Sri Lanka

Sri Lanka passed the historical milestone of completing one hundred years of aviation last year. The recorded history shows that the first ever aircraft, a two seater Bleriot Monoplane was brought to Sri Lanka on 12th September 1911 by ship. Though this aeroplane was flown a few times, firstly in December 1911

and afterwards, the first ever successful flight is recorded to have been flown by two Frenchmen on 07th December 1912. Sri Lanka has achieved a fairly mature aviation system as of today with a good safety record through the past century.

Achievements and reminiscences of the century old aviation were recalled and celebrated through an active programme conducted under the direction of the Hon. Minister of Civil Aviation & the Ministry of Civil Aviation with all aviation and other relevant stakeholders taking part. The CAA played the major role by organizing the entire programme.

The Programme comprised of publishing a book titled “A Centenary Sky” which glimpses through the important occasions and turning points of the aviation history, authored by Captain Elmo Jayawardane as a complimentary gesture, production of an audio/video Jingle and production of a Video Documentary on the history of aviation. In addition, an Arts competition amongst school children & general public was conducted which drew over 2000 entries. A series of publicity programmes were conducted through printed, broadcasting and television media in three languages. The highlight of the celebration was the main function held at the Temple Trees on 07th December 2012 with His Excellency the President Mahinda Rajapaksa gracing the occasion as the Chief Guest. Hon. Minister and Deputy Minister of Civil Aviation participated

along with ministry staff, staff of the aviation stakeholders and other invitees which numbered over 1500 participants. The event was attended by 800 school children who will take over the future of the country and its aviation. Screening of videos, speeches by school children, issue of

four commemorative stamps and presentation of memento to His Excellency the President added color and glamour to the occasion. A paper supplement, a souvenir and a special copy of Guwansara magazine were published to mark the occasion.

## ACCIDENT INVESTIGATION UNIT

The Accident Investigation Unit conducted several activities of high importance to improve the aircraft accident and incident investigation systems as a whole. In this process the Aircraft Accident and Incident Investigation Regulations of Sri Lanka - 2012 which was promulgated by the Hon. Minister was presented to the Parliament and was approved. The Regulations are the first set of Regulations published under the new Civil Aviation Act No. 14 of 2010.

The Unit assigned equal importance on aircraft accident and incident investigation training. In this regard, a two week Aircraft Accident Investigation Workshop was organized in Colombo, conducted by two internationally reputed professionals, Mr. Caj Frostell and Mr. Keith McGuire who counts decades of experience practically in the field as well as holding high office. This provided CAA investigators with in-depth training in investigation techniques and an understanding of the organisational factors & management issues pertaining to aircraft accident investigation. The Workshop also served as a corrective action for one of the findings raised at the 2010 ICAO USOAP. The participants were from the CAASL, Industry and as well as invited from the COSCAP-SA Member States.

Arrangement on cooperation relating to aircraft accident and incident investigation was signed between BEA (Bureau d'Enquêtes et d'Analyses), of France and Civil Aviation Authority of Sri Lanka. A similar Arrangement with Air Accident Investigation Branch of United Kingdom on same has been finalized.

As for the arrangements in place for understanding with local agencies, action was taken to develop a Memorandum of Understanding between the Ministry of Justice and CAASL for effective coordination in investigation process. Further, discussions were held with the Ministry of External Affairs in order to implement a procedure to process visa expeditiously for urgent foreign travel of Accident Investigators and Accredited Representatives.

There were no accidents or serious incidents reported during the year under review. However, 137 occurrences relating to various matters in respect of aircraft registered in Sri Lanka were reported. Incident investigation into Sri Lankan Airlines flight UL 229, A330 due to heavy turbulence while en route to Kuwait on 09th October 2012 was being carried out.

### Aviation Occurrences into aircraft registered in Sri Lanka - 2012 (in and out of Sri Lanka)

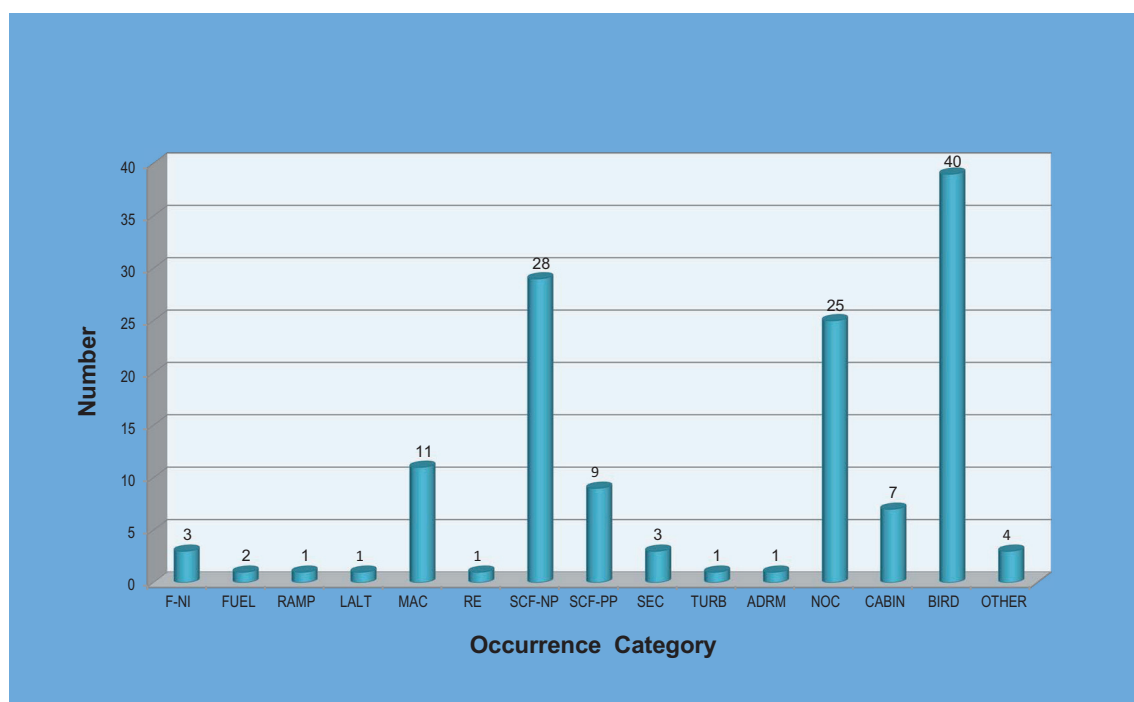


Figure 1

### Abbreviation

F-NI	Fire/smoke (non-impact)	SCF-PP	Power plant failure or malfunction
FUEL	Fuel related	SEC	Security related
RAMP	Ground Handling	TURB	Turbulence encounter
LALT	Low altitude operations	ADRM	Aerodromes
MAC	AIRPROX/near miss/midair collision	NOC	No Contact
RE	Runway Excursion	CABIN	Cabin safety events
SCF-NP	System/component failure or malfunction (non - power plant)	BIRD	Bird strikes
		OTHER	Other

## INTERNAL AUDIT SECTION

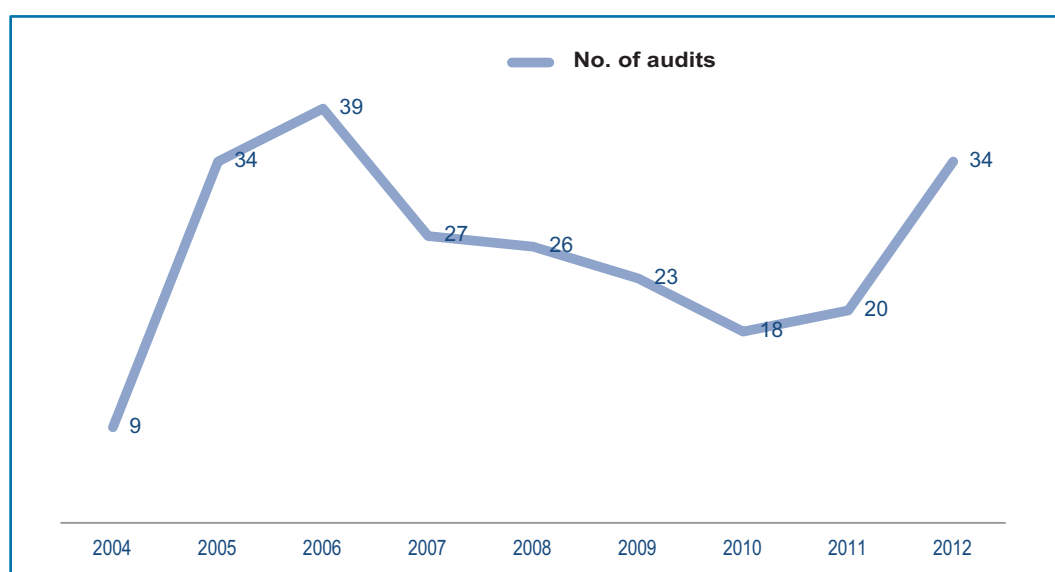
Internal audit section has, through the involvement of the management of the CAA, taken steps to review the adequacy and the effectiveness of the internal controls. It further ensured that functions were complying with

laws and regulations and established policies and procedures of CAASL. 34 audits were carried out for the year 2012 including 07 technical audits and 10 financial audits.

### SECTION HIGHLIGHTS

Sections	2012 No of Reports issued	Findings	Suggestions
Finance Management	03	37	2
Human Resource & Office Management	02	4	4
Personnel Licensing	01	4	1
Air Transport & Legal Affairs	01	3	-
Aerodrome and Air Navigation	01	2	1
Total	08	50	8

Figure 2: Number of audits carried out from 2004-2012



# AERONAUTICAL SERVICES DIVISION

## AVIATION SECURITY SECTION

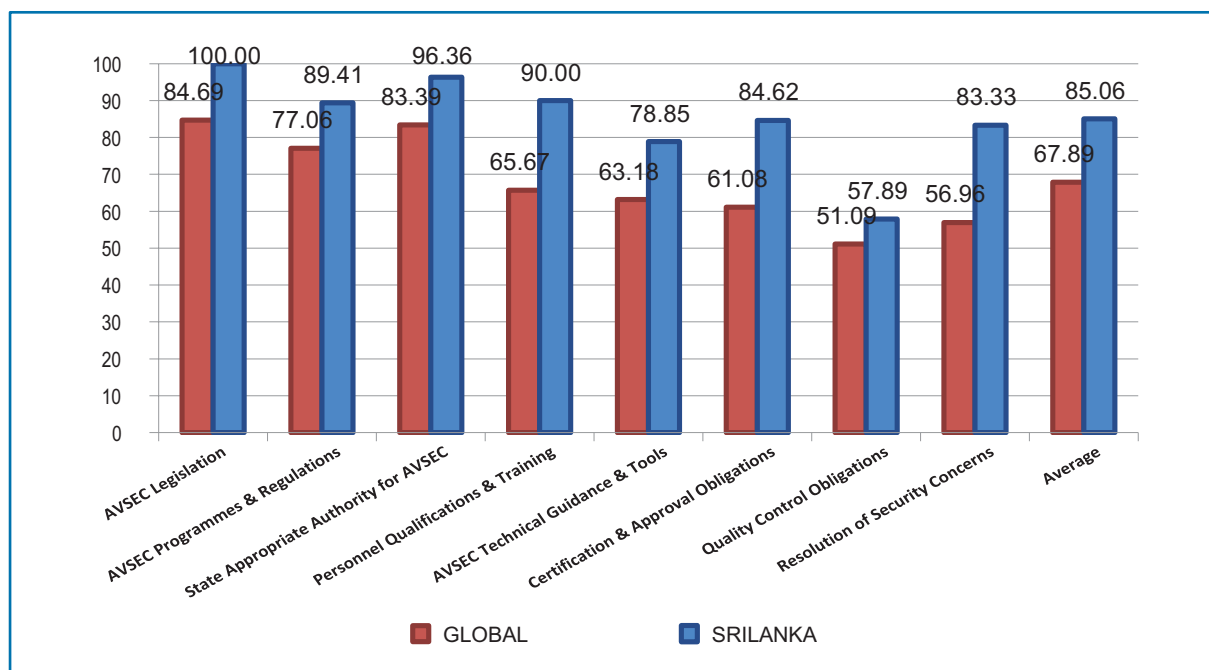
### ICAO Universal Security Audit (USAP) Cycle 2 – Audit Sri Lanka

ICAO conducts under the USAP regular audits on Member States to ascertain the degree of conformance to the SARPs on aviation security. The most recent aviation security audit on Sri Lanka was conducted from 24th – 31st May in the year under review. The Audit results shows a significant performance of Sri Lanka in aviation security oversight activities, with

over 85% of compliance with security related SARPs as against the world (global) average of 67% for 145 States, which had been audited hitherto.

The Audit results gives an assurance to the travelling public that the 'Lankan Skies are Well Secure'. Sri Lanka has already filed with ICAO, Corrective Action Plan for rectification of the deficient areas had been identified during the audits and those Corrective Action Plans have been accepted by the ICAO to be satisfactory.

### Graphical depiction of audit results by critical elements





## Appointment of Aviation Security Consultants

Two (02) Aviation Security Consultants, with a wealth of knowledge and experience in Airport Security, Fire and Rescue, Airline, Cargo and Catering have been absorbed to the Aviation Security Section, in January and February, recognizing the much needed technical expertise for Aviation Security Oversight functions at national level. The section now has four (04) technical officers.

This achievement was well appreciated by the ICAO Audit Team during the Universal Security Audit (USAP) Cycle 2 – Audit Sri Lanka.

## Extra Ordinary AVSEC Surveillance Plan executed

An extra ordinary aviation security surveillance plan was executed in the months of June-July, to ascertain the degree of compliance in the provision of Aircraft Security for foreign airlines that are operating to and from Sri Lanka at the Bandaranaike International Airport (BIA). During the execution of the extra ordinary surveillance plan, twenty one (21) foreign airlines was subjected to inspections by the Aviation Security Inspectors and found that the requirements are satisfactorily complied with.

## State Representation at International Forums

Director General of Civil Aviation (DGCA) Sri Lanka and Deputy Director AVSEC attended the Regional Aviation Security Seminar on 11-12th January in Kuala Lumpur – Malaysia. In Addition Deputy Director AVSEC represented several Aviation Security related Seminars and meetings during the year under review.

## Sri Lanka Represent at the ICAO High Level Conference on AVSEC

The ICAO High Level Conference on Aviation Security was held 12-14th Sept.'12 at Montreal. Canada. The goal of this conference was to convene senior government officials and aviation stakeholders to reach the global consensus and formulate recommendations on key aviation security priorities and issues to address current and emerging threats to civil aviation.

The key issues affecting aviation security that have been deliberated were, Combating the insider threat, Enhancing air cargo security, Ensuring the sustainability of aviation security measures & equivalence, The evolution of the aviation security audit process – transparency, Capacity – building and technical assistance, Driving technology development and innovations, the Role of the Machine Readable Travel Documents (MRTD) Programme together with Advanced Passenger Information (API) and Passenger Name Record (PNR), Status of regional efforts in aviation security & ICAO Global Risk Context Statement.

The Sri Lanka's high level delegation headed by Secretary to Ministry of Civil Aviation, who deputized the Director General of Civil Aviation. Sri Lanka's delegation has fully made use of the deliberations that were made at this conference for the benefit of Civil Aviation in Sri Lanka.

## AVSEC Security Audit on Expo Aviation (Pvt) Ltd

An aviation security audit was conducted on Expo Aviation (Pvt) Ltd., the only all - cargo (freighter) operator with self-handling status, at the Bandaranaike International Airport (BIA) in the month of December 11 – 17th. The deficiencies observed in the provision of AVSEC requirements are being discussed with the Expo Aviation Management and a corrective action plan will come in to effect.

The senior management of Expo Aviation was found to be very enthusiastic throughout the auditing process.

## Instructor Certification - Expo Aviation (Pvt) Ltd

Expo Aviation's Senior Manager Security, Mr. Lalith Welaratne was awarded an accreditation as an "Aviation Security Instructor" with effect from 17th December, to conduct aviation security training to employees in the Company. The certification was followed by an evaluation process of the training syllabus, lesson plans, handouts and presentation skills, mode of delivery, as stipulated in the National Civil Aviation Security Training Programme (NCSTP).

## Security surveillance Activities

Security surveillance activities were carried out as per approved surveillance plan in airport and airlines operating to Sri Lanka.

## SPECIAL PROJECTS SECTION

### Assistance to COSCAP-SA Project

In pursuance of the agreement that has been reached by the Member States, at the formation of COSCAP-SA, the CAASL facilitated officials missions of the experts attached to the programme by providing gratis travel between Sri Lanka and other Member States on Sri Lanka registered airlines and airlines operating into Sri Lanka. Accordingly, the Special projects Section has facilitated to obtain a total of 10 gratis air tickets for COSCAP-SA experts and the breakdown of the tickets are as follows.

Sri Lankan Airlines	04 air tickets
Mihin Lanka	06 air tickets

## Exhibitions

### Deyata Kirula National Exhibition

In the year under review the CAASL used an AN24 Aircraft as the exhibit at Oyamaduwa,

Anuradhapura. This aircraft was used to demonstrate a pseudo flight over the southern part of Sri Lanka. A video was displayed on each window and at the center of the cabin, to simulate actual sceneries a passenger can see on a real flight which was departing from Weerawila, flying over the southern part of Sri Lanka and finally landing at the same airport.

The large crowds of public who eagerly gathered at this special opportunity could closely observe this turbo-prop passenger transporter aircraft with a simulated flying experience, at no cost.

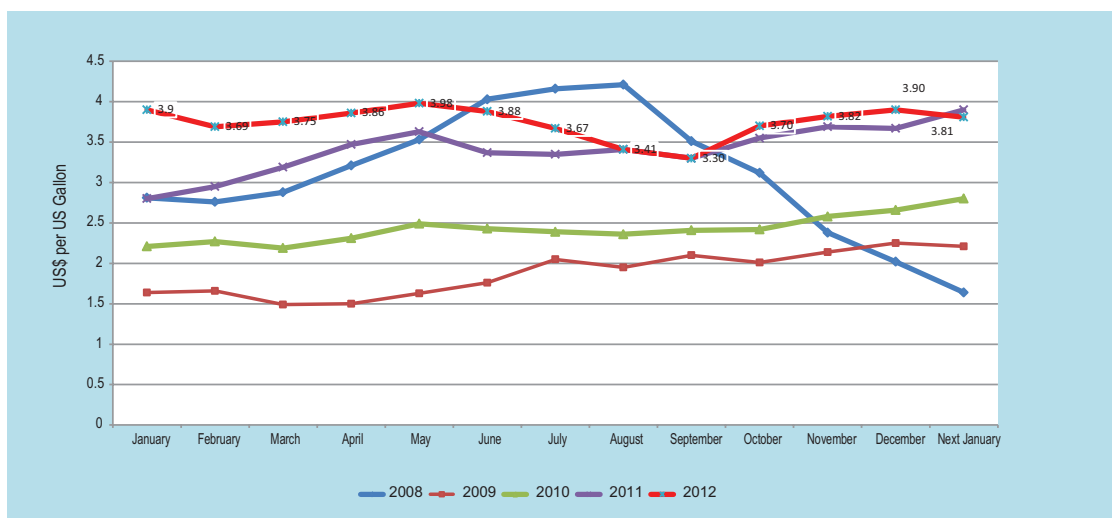
### ‘Morutu Udana’ Tade Exhibition

CAASL maintained an exhibition stall at “Education and Trade Exhibition” which was held at Prince of Wales College at Moratuwa from 22nd to 26th Dec.2012.

### Aviation Fuel Price Monitoring

The Special Project Section collected monthly reports on aviation fuel prices from the Ceylon Petroleum Corporation and monitored the trend during the year 2012 too. This process will be continued in the future also and information will be made available to the interested parties and decision makers.

**Aviation Fuel (Jet A-I) price variations (For Contract Customer) at BIA from 2008-2012**



Source: Ceylon Petroleum

## Publications/Reports

The Annual Report-2011 was compiled, in accordance with the Civil Aviation Authority Act No 34 of 2002 with view to present to the parliament, related government entities and other industry clientele.

Special Projects Section submitted Physical and Progress Reports, Committee Stage Budget Report, projects development reports etc. to the line Ministry and Central Bank.

## CADEC

The Civil Aviation Development and Education Committee (CADEC) which functions under the Special Projects Section conducted, 12 CADEC programmes covering 05 educational Zones Anuradhapura, Kekirawa, Tambuttegama, Galenbidunuwewa, Kebithigollewa in the Anuradhapura district in parallel to the Deyata Kirula 2012 National Exhibition. The magazine "GUWANSARA" published quarterly by the CAASL under the CADEC programme with the view to enhance the knowledge of school children in the field of aviation was distributed on complimentary basis among 2800 schools which conduct G.C.E (A.L) classes in coordination with the Ministry of Education during the year 2012 too.

## AERODROMES & NAVIGATION SERVICES SECTION

### The Airspace Management

The National Airspace is a precious asset to the nation. A safe & efficient Airspace will continue to provide maximum benefit for the wellbeing & economic development of the country. While being aware of the various security requirements of the Nation, every possible measure was taken by the Aerodromes & Navigation Services Section to emphasize the importance of this fact and continued to ensure safe & effective management of this valuable asset to optimize its use during year under review, within existing regulatory arrangements.

A&NS section has coordinated with the Air Navigation Services Provider, Airport & Aviation Services (SL) Limited for the re-designing of the

airspace in order to improve safety and efficiency of airspace and implement Performance Based Navigation (PBN) which is a Satellite Based Navigation method recommended by ICAO for the contracting States. In addition A&NS section conducted a workshop for the stakeholders of the airspace in order to make them knowledgeable about the advantages of PBN and its implementation in Sri Lanka Airspace.

### Renewal Aerodrome Certification Bandaranaike International Airport

Bandaranaike International Airport was certified on 01st March 2010 and Aerodrome Certificate was issued for two years as per existing regulations.

A five day audit for the renewal of the aerodrome certificate was expire on February 2012 and the Aerodrome Certificate was renewed for another two years.

### Regulatory Assistance for the Construction and Certification of 'Mattala Rajapaksa International Airport'

During the year the section has taken necessary steps to issue regulations in order to declare protected areas in the vicinity of Mattala Rajapaksha International Airport and Instructions to restrict the height of constructions within those protected areas.

In addition the section has provided necessary regulatory guidance for the construction of Mattala Rajapaksha International Airport. Further the section is in the process of conducting necessary inspections/Audits in order to ascertain whether the airport is in conformity with the standards of International Civil Aviation Organization and Local regulations for the issue of the Aerodrome Certification of the Airport.

### ATC Rating Assessments

During the year under review ANS section played a major role to maintain the standard of the Air Traffic Control Training conducted by AASL by way of supervising the On the Job Training (OJT), conducting rating assessments and examining final practical examinations of Air Traffic Control Courses.

The section has conducted ATC rating tests for the issuance of the ATC ratings for all Air Traffic Controllers and examined practical examinations on ATC Simulator conducted for ATC Trainees during the year as follows;

ATC rating test conducted	23
ATC Simulator test	05

In addition Section has participated to conduct following tests for Air Traffic Controllers and Pilots;

Language proficiency Test	54
Radio Telephone Test carried out	40

### Surveillance Activities

The Surveillance Program of Aerodromes and Air Navigation Services Section require monthly inspections of Air Traffic Servicers, Aerodromes and Aeronautical Information Services. The section has conducted twenty four (24) inspections on Air Traffic Servicers, nineteen (19) inspections on Aerodromes and twelve (12) Aeronautical Information Services totaling fifty five (55) Inspections.

Deficiencies observed during those inspections have been notified to the Airport & Aviation Services (SL) Ltd., who is responsible for provision of those services with necessary safety recommendations. Follow up actions were made to ensure that identified deficiencies are corrected in time.

### Investigation of ATC Incidents

Aerodromes & Navigation Services Section is responsible for the investigation of ATS occurrences reported to the CAA and make recommendations to the Service Provider for corrective action. The section has investigated 02 Air Traffic Control Incidents during the period and made safety recommendations for Air Traffic Service Provider, Airport & Aviation Services (SL) Ltd to avoid recurring similar incidents in the future.

### Approvals for Construction of High Rise Structures

The Aerodromes & Navigation Services section has granted approvals for 653 high-rise

structures during the year as per the zoning regulations issued to restrict the heights of the constructions in the declared areas around aerodromes.

### Overflying and Landing Permission

During the year Aerodrome & Navigation section has issued permission for 1030 international flights to over fly Sri Lankan Territory and 655 nonscheduled international flights to land in Sri Lanka. This figure does not reflect the total number of flights over flown/landed Sri Lanka as AASL also grants approvals for such requests on behalf of CAA during outside office hours.

### Aeronautical Information Service

The Section is responsible for the issuance of Aeronautical Information Publication Package which includes NOTAMS (Notice to the Airmen), Aeronautical Information Publication Amendments, Aeronautical Information Supplements and Aeronautical Information Circulars. During the year the section has initiated /issued following Aeronautical Publications;

Approvals for issuance of NOTAMS (Notice to the airmen)	261
Aeronautical Information Publication Amendments	01
Aeronautical Information Supplements	08
Aeronautical Information Circulars	10

### Aerial Work by Helicopters

During the year helicopter operators have engaged in aerial work operations such as photography, video filming, aerial surveys for electronic imaging, flower drops, leaflet drops and brand promotional work for advertising purposes of corporate establishments, in addition to passenger operations.

The section has granted twenty approvals for such operations during year 2012 after taking necessary steps to maintain required level of safety.



## FLIGHT SAFETY DIVISION

### PERSONNEL LICENSING SECTION

Personnel Licensing Section of the Civil Aviation Authority has shown further developments in the year 2012 as well to cater to some of the needs of the aviation community making the clientele satisfied. Key areas of improvements are listed below.

#### **Flight Crew Examination Services for Maldives has been extended up to Airline Transport Pilot Licence (ATPL) level from 1st of January 2012**

Civil Aviation Authority of Sri Lanka (CAASL) has been conducting knowledge examinations for the issuance of Pilot Licenses up to Commercial Pilot License (CPL) for republic of Maldives as well bringing in benefits to both countries. This endeavor has been extended up to level of Airline Transport Pilot License (ATPL) in the last year.

#### **Certification of Sri Lankan Air Lines (SLAL), Type Rating Training Organization (TRTO)**

With the introduction of the Full flight Simulator for Airbus A320 to Sri Lankan Airlines, they required obtaining License for the training of Pilot License holders to be issued with the Type Rating over & above the approval they held to train Sri Lankan Airlines employees for the same purpose. This certification was undertaken & accomplished during the year.

#### **Acceptance of Foreign Flying School (New Zealand International Aviation Academy)**

Certification methodology for foreign flying schools was not available so far for the conversions of foreign licenses to Sri Lankan Pilot Licenses. Identifying such need & rectification was done by Personnel Licensing Section by introducing procedure for the purpose. Already a New Zealand Flying school has obtained this certification benefitting both countries & flying community expanding their horizons for training facilities.

#### **Initiation of Personnel Licensing automation.**

Action was taken to make work flow of Personnel Licensing Section automated reducing man power requirements through an international volunteer organization from Europe recommended by European Aviation Safety Agency (EASA) with a system called Safety Oversight Facilitated Integration Application (SOFIA) without any cost to CAASL. About 80% of SOFIA programme has been completed.

Another process was initiated through University of Colombo School of Computing during the year 2012 and about 50% of the work has been completed.

### **5th SARI PART 66(Aircraft Maintenance Licence regulation)/147(Maintenance Training Organization regulation) Working Group Meeting**

The Personnel Licensing Section organized the 5th South Asian Regional Initiative (SARI) Part66/Part 147 Working Group Meeting held from 28th February- 02nd March 2012 in Colombo, hosted by the CAA Sri Lanka. Around 30 delegates including working group members & representatives of several local aviation organizations from India, Pakistan, Maldives, Bangladesh, Nepal, Bhutan, Sri Lanka, European Aviation Safety Agency (EASA), participated in this four-day meeting.

The overall objective of the SARI is to create a forum for the Civil Aviation Authorities to foster regulatory convergence in South Asia. The SARI 66 / 147 Working Group is expected to publish the first draft SARI Part 66, Aircraft Maintenance Licence and SARI Part 147, Maintenance Training Organization before End of December 2012.

### **SARI Part 66 regulations (South Asian Regional Initiative (SARI) Part 66- Aircraft Maintenance Licence regulations)**

Civil Aviation Authority of Sri Lanka Developed SARI Part 66, a harmonized regulation based on European Aviation Safety Agency (EASA) Part 66 for Aircraft Maintenance Licence .This regulation was developed by the SARI 66 Working Group and its first issue published in December 2012.

SARI is a grouping of authorities from South Asia that was created during the EU-South Asia Civil Aviation Cooperation Program that ended in 2006. The Civil Aviation Authorities of SARI members have agreed to a common comprehensive and detailed aviation requirements, with a view to make it compatible for maintenance carried out in one Member State to be accepted by the Civil Aviation Authority in another Member State. EASA and the European Aerospace Industry support the activities of SARI.

The SARI partners agreed in the beginning of

2007 to work on convergence of maintenance regulation in South Asia which was considered as a priority. Several states have either adopted the EASA parts or developed a new set of maintenance regulation using the EASA parts as a reference. However these national regulations still include differences in their structure or in the associated guidance material or in the working procedures although the concepts they are based on are identical. To eliminate these remaining obstacles towards sound regulatory convergence in South Asia the SARI states agreed to develop a harmonized regulation for aircraft maintenance based on EASA. These regulations were developed by the SARI Working Groups. The SARI 66 / 147 Working Group which consists of 7 members, each of them appointed by each of the 7 SARI Civil Aviation Authorities.

SARI Part-66, requirements for Issuance of Aircraft Maintenance License has been developed to address issuance of license of personnel involved in the maintenance of large aircraft or of aircraft used for commercial air transport, and components intended for fitment thereto.

### **Surveillance on Flying Schools & Aviation Training Organizations**

The Personnel Licensing Section has conducted following surveillance on Aviation Training Organizations.

- |  |     |
|--|-----|
| 1. Asian Aviation Centre   | - 1 |
| 2. Sky Line Aviation   | - 2 |
| 3. Open Skies  | - 4 |
| 4. Cosmos Aviation   | - 2 |
| 5. SAAS Flight Academy   | - 2 |
| 6. SriLankan Airlines Type Rating Organization.                        | - 1 |
| 7. International Aviation Academy (Flight Operations Officer Training) | - 2 |

### **Participation in international training**

Two inspectors from the Personnel Licensing Section attended ICAO Endorsed Government Safety Inspector (Personnel Licensing) course conducted by Federal Aviation Administration, Oklahoma City, Oklahoma.

### **Implementation of Call up system for Aero Medical Unit.**

When conducting Medical examinations at the Aero Medical Center, located at CAASL Head Office, public is required to wait until there turn in the lobby. Communication between the Aero Medical Centre (AMC) & lobby is made digitalized through a call up system customized for Personnel Licensing requirements, enhancing public image on CAASL.

### **Issuance of an Aeronautical Information Circular (AIC)**

The Section has issued an Aeronautical Information Circular for “knowledge requirement for conversion of pilot licenses”.

### **Approval of Multi-Engine Training Programme**

The section granted approval for multi-engine training programme conduct by Asian Academy of Aeronautics, Maldives, with the technical support of Operations sectional Inspectors.

### **Recruitment of Foreign Pilots**

The section granted 62 approvals for recruitment of foreign pilots for International Airlines and Domestic Airlines.

### **Medical Examination / Medical Board Meetings**

The Aero Medical Centre of the Personnel Licensing Section has conducted following Medical Examinations for the issuance of personnel licences to pilots and Air Traffic Controllers.

- |                                   |       |
|-----------------------------------|-------|
| 1. Initial Medical Examination    | - 213 |
| 2. Renewal of Medical Examination | - 653 |

And the Aero Medical Centre has held 05 Medical Board Meetings throughout the year to resolve borderline cases of Medical certificates.

### **Renewal of agreement with designated Hospitals**

The section has renewed agreement with

designated hospitals of Asiri Surgical Hospital and Lanka Hospitals to conduct medical investigations for Pilots and Air traffic Controllers.

## **OPERATIONS SECTION**

### **Regulatory Development**

Pursuant to the Civil Aviation Act no. 14 of 2010, the Operation Section has completed the drafting for Implementing Standards for the implementation of Annex 6 Part I – Chapter 1, Flight Simulator Approvals & Qualification, Annex 6 Part 2, and Annex 18 – Transport of Dangerous Goods by Air and Compliance to Annex 09 for Facilitation were promulgated in 2012.

### **Guidance Material Development**

The section has managed to develop the following guidance materials in 2012.

1. Amendments to SLCAP 4400
2. Amendments to SLCAP 4410
3. Civil Aviation Safety Assessment (CASA) Ramp Inspection Guidance Material
4. Job Guide on Transport of Dangerous Goods by Air
5. Checklist for the evaluation of Safety & Emergency Procedure (SEP) Manual
6. Development of New Matrix for Extended Range of Twin Engine Operations (ETOPS) and CAT II/III application
7. Updated Checklist for Flight Simulator Training Device (FSTD)

### **Personnel and Training**

The inspectors and the general staff were trained locally as well as overseas on specialized training in 2012 .

### **Certification of Air Operators**

The section certified two (02) more Foreign Airlines (Tiger Airways, Wind Rose Aviation) for the operations into and out of Sri Lanka. A total number of 52 licences have been issued to date. Presently there are 36 foreign operators operating to Colombo from various overseas destinations.



The section has received four (04) applications (Saffron Aviation, Lakwin Air, Hybrid Aviation & Flyme Airline) for Air Operator Certification and they were being processed. Pre application Meetings were held with 3 prospective applicants and a Formal Application meeting was held with Saffron Aviation (Pvt) Ltd during the year 2012.

SriLankan Airlines has established its A 320 Simulator for training purposes and the inspectors were utilized for the Qualification of the simulator for training purposes in 2012. Further to that a Flight Navigation Procedure Trainer of Skyline was also evaluated and approval was granted by the inspectors of the section to ascertain its suitability for the utilization for training purposes.

The section was involved in evaluating the Manuals for South Asia Aviation Services (Pvt) Ltd (SAAS) in relation to the Ground School and granted approval in 2012.

In addition various manuals related to training, ground operations, all weather operations, Flight Operations, Weight and Balance, Flight Dispatch Safety Management were evaluated for amendments and approved.

The inventory of the airlines have been increased in domestic aviation and the inspectors conducted proving flights on Cessna 208, MA 60 in meeting the requirement for certification and in addition CAA carried out proving flights to include additional Water Aerodromes at Mahawilachchiya, Batticaloa, Passikudah, and Dandugama, for the domestic Float Plane Operation for SriLankan Airlines Ltd.

### Surveillance

The section continuously conducted surveillance on operators for the compliance and effectively involved in incident/accident investigations. The types of surveillance activities are Ramp Inspections, Main Base Inspections, DCP Monitoring, Regulatory Audits, Training Observations and Station Facility Inspections. Further to those, inspectors of the section involved in carrying out inspections and

certification of Water aerodromes & Helipads facilitating the domestic float plane operations and helicopter operations.

In view of addressing the ever increasing demand on training and checking pilots, the section introduced three Designated Pilot Examiners to cater to the Small operators and these 3 Designated Pilot Examiners (DPE) are entrusted with the task of conducting flight checks. In addition 7 new Designated Check Pilot's were appointed during the year 2012. Furthermore, four Safety Instructors were appointed by the section in view of Cabin Safety Requirements stipulated by CAASL.

Facilities were extended for the inspectors to achieve the objective of surveillance to a greater level with continuously improving the systems and culmination of such approaches was the introduction of E Checklist system, empowering the inspector to submit the reports online minimizing the time factor.

### Enforcement Actions

Two incidents which took place in the industry were investigated by the inspectors of the section and the airline was informed of the safety measures to be taken to avert any recurrence.

Two of the inspectors in the section were appointed as members of the Accident Investigation Board for the AN 26 accident which took place in 1998.

### Organizational Matters

In addition, the section took part in the 100 years celebrations activities organized by the Ministry of Civil Aviation in 2012. A procedures manual was drafted in 2012 to facilitate the identification of work processes in the section with the changes took place over the 10 years and further development of the manual is under scrutiny.

Further the section provided assistance for the organization in training programmes of CAA SL and outside organizations.

## AIRWORTHINESS SECTION

### Continued Airworthiness

The Airworthiness Section conducted necessary surveillance activities on the maintenance of Sri Lankan Airlines aircraft with a total fleet of 21 aircraft consisting eight Airbus A-320's, seven A-330's and six A-340's. Also, Mihin Lanka with four Airbus 320 aircrafts. CAASL issued Eight (08) initial Certificates of Airworthiness and renewed seventeen (17) Certificates of Airworthiness. The Airworthiness Section also conducted surveillance on companies engaged in domestic aviation.

### Aircraft Maintenance Organizations

Initial approvals for ten (10) aircraft Maintenance organizations were granted after conducting the required evaluations. Thirty four (34) foreign, base & line maintenance organizations and eight (08) domestic maintenance organizations approvals were renewed for the year 2012.

### Third Party Maintenance work

After the maintenance facility inspection, CAASL granted approvals for Emirates Airline to carry out the third party maintenance activities on Thai Airways and Singapore Airlines operated aircraft to and out of Sri Lanka.

### Aircraft Registration

During the period under review, the CAASL granted initial registration for eight (08) aircraft and renewed the Certificate of Registration of fifty one (51) Aircrafts. The Ownership of two (02) aircrafts and one (01) balloon were changed at the request of the owner to operate under the Air Operator Certificate of Sri Lankan Airlines Limited.

## Safety Oversight

In compliance with the approved Ramp Inspection schedule, hundred and two (102) Ramp inspections were carried out during the year 2012. Total numbers of twenty four (24) defects identified during the ramp inspections and communicated to respective operators for immediate rectification.

### Recommendations for Visa

CASSL issued recommendations for Landing Endorsement and residence visas for ground engineers. During the period under review, CAASL issued forty three (43) recommendations for ground engineers and twenty nine (29) for maintenance training students.

### Maintenance Engineer License

Airworthiness section conducted two (02) AME (BL) Examinations, two (02) AML Examinations, two (02) Conversion Examinations (AME-(BL) to AML) and thirteen (13) special Human Factors (Module 09) examinations. For the type, one(1) Robinson R-66 for (Cosmos Aviation) ,one (01) DC-08 for(Expo Aviation), Three (03) Cessna208 for(Expo Aviation) ,one (01) GA-08 for(Deccan Aviation), one (1) AS 350 B for (Senok Aviation) were conducted for maintenance personals and issued temporary Certification Authorizations.

### Spare Parts Approvals

DGCA approved import & export Aircraft spares on the recommendation of the Airworthiness Section. During the period, Airworthiness Section recommended sixty nine (69) applications of Expo Aviation, fifteen (15) of Deccan Aviation, Eight (08) of Asian Aviation Centre, ten (10) of Daya Aviation, twenty eight (28) of Cosmos Aviation Services, six (06) of Skyline Aviation, forty seven (47) of Open skies, and sixteen (16) of Senok Aviation.

## CORPORATE DIVISION

### AIR TRANSPORT & LEGAL AFFAIRS SECTION

#### Aviation Statistics

The CAASL has fulfilled its obligations to ICAO by providing timely data and information about civil aviation activities in Sri Lanka during the period under review.

#### Airline Operations

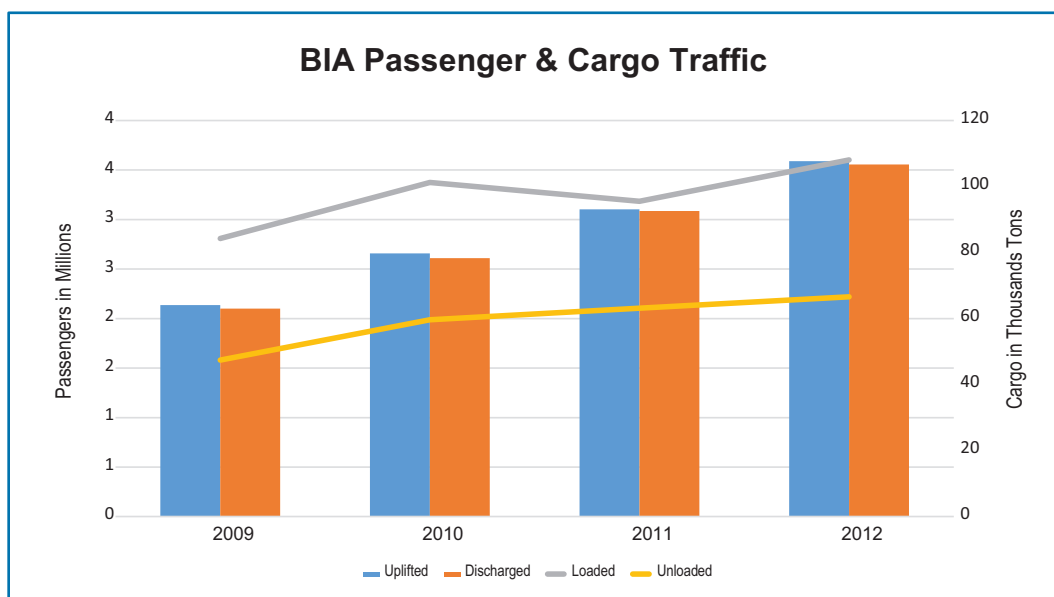
Thai Air Asia and Tiger Airways started their operations to Sri Lanka in the year 2012. Tiger Airways is a Singapore based budget carrier and Thai-Air Asia is the Thai subsidiary of Air Asia Berhard, popular budget operator from Malaysia. Also a new charter operator Wind Rose (From Ukraine) commenced their operations to Sri Lanka from October 2012. Air India Express, Indian budget carrier, recommenced their operations in October 2012 after suspending their operations to Sri Lanka in early 2012 due to an administrative decision of the Mother Company.

Mihin Lanka launched passenger services to Indonesia and Bangladesh during the year and SriLankan Airlines increased their operating frequencies to Japan and China and recommenced operations to Zurich.

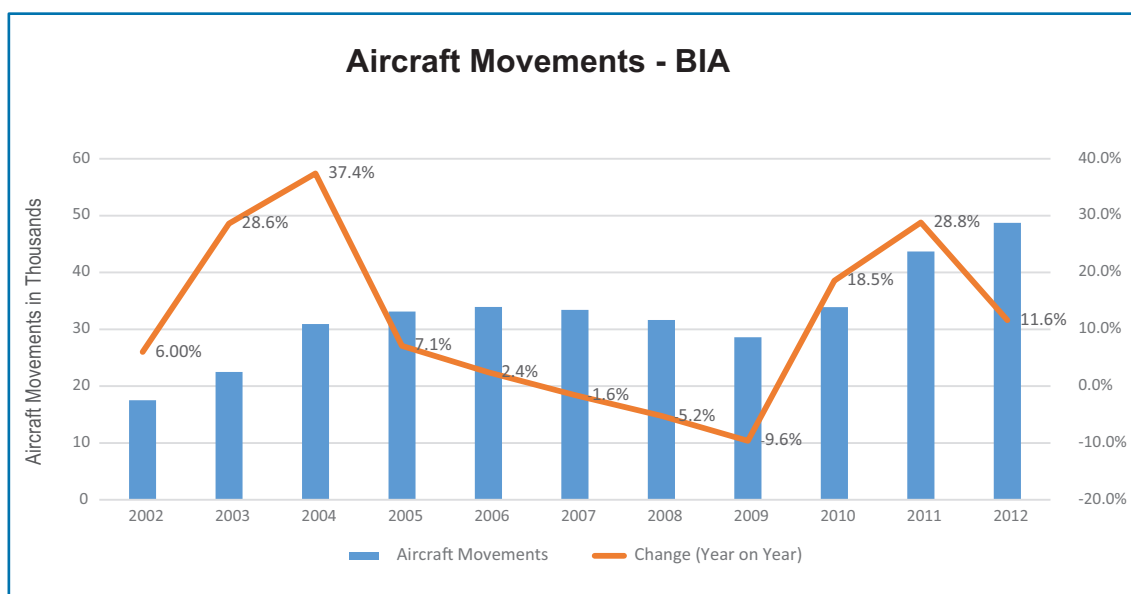
#### Passenger and Cargo Movements.

There was a significant improvement recorded in the passenger and cargo movements during the year under review. Total Number of passengers arrived at and departed from BIA were 3,554,969 and 3,590,122 respectively. The market share of SriLankan Airlines of these passengers were 1,948,216 and 1,946,556 representing fifty five (55%) and fifty four (54%) respectively.

Out of a total of 108,043 MT (Metric Tons) uplifted at BIA in 2012, SriLankan Airlines uplifted 52,872 MT claiming forty nine percent (49%) market share. With regard to cargo that was discharged at BIA, out of a total of 66,602 MT, SriLankan Airlines discharged 42,245MT claiming sixty three percent (63%) market share.



	Passengers			Cargo (metric tons)			Aircraft Movements
	Uplifted	Discharged	Total	Loaded	Unloaded	Total	
2009	2,136,055	2,100,361	4,236,416	84,242	47,392	131,634	28,602
2010	2,657,532	2,609,237	5,266,769	101,207	59,631	160,838	33,907
2011	3,101,915	3,085,768	6,187,683	95,506	63,161	158,667	43,673
2012	3,590,122	3,554,969	7,145,091	108,043	66,602	174,645	48,734



## Transit Passengers to BIA

BIA as a developing hub in the region also serves a large number of transit passengers.

The top ten airlines bringing in transit passengers are as below.

Name of the Airlines	Passengers (%)
Sri Lankan Airlines	88%
Mihin Lanka	8%
China Eastern	1%
Jet Airways	1%
Royal Jordanian	1%
Other Airlines	1%



Five of the most favourite cities that were connected BIA during the period under review are as follows

City	Departures	Arrivals
MAA	386473	414428
DXB	328532	336151
SIN	244670	244487
MLE	244456	236259
DOH	237092	232436

## Domestic Aviation

Expo Aviation recommenced their operations between Ratmalana and Jaffna as a scheduled operator from January 2012. They have given their contribution for the development of

domestic aviation by carrying 5,334 passengers between Ratmalana and Jaffna.

Sri Lankan Airlines continued their Air Taxi (Float Plane) operations during the year 2012 by giving a considerable contribution for the development of the tourism industry. Daya Aviation Ltd continued with their private/Commercial operations throughout the year.

### Fixed Wing Domestic Operations

Sector	2010	2011	2012
Ratmalana – Jaffna	986	88	2,734
Jaffna – Ratmalana	1,256	6	2,588
Ratmalana- Trincomalee	39	83	52
Trincomalee- Ratmalana	23	47	62

### Helicopter and Balloon Operations

Deccan Aviation (Lanka) Ltd which commenced helicopter operations in June 2004 continued to operate to several destinations in the Country. Cosmos Aviation continued their helicopter operations during the year and Senok Aviation which commenced helicopter operations at the end of 2011 continued their operations.

Balloon operations are presently conducted in touristic areas such as Dambulla and Ahungalla which assists in the promotion of tourism in the areas.

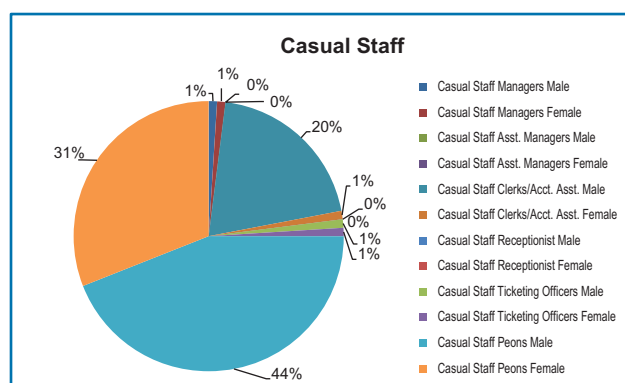
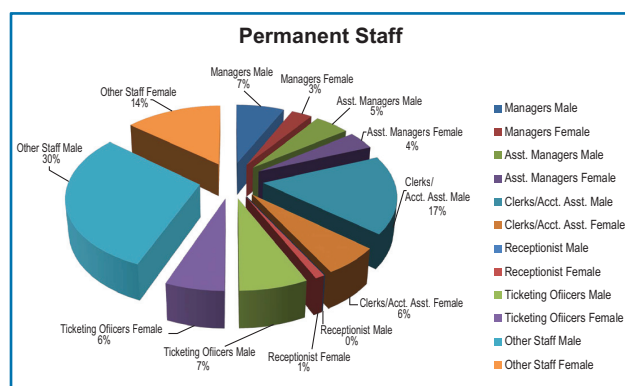
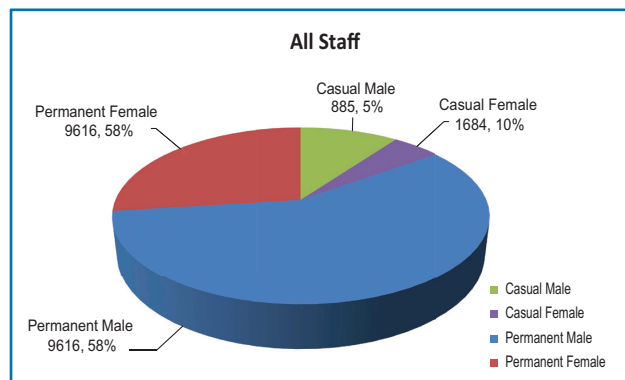
Aircraft Type	Total number of flights		Total number of flying hours		Number of passengers travelled	
	2011	2012	2011	2012	2011	2012
Helicopter	517	596	738	884.2	1809	2130
Balloon	195	141	190	142	1274	947

## Travel Agents

As per the regulations made under the Air Navigation (Special Provisions) Act No 55 of 1992 all travel agents in Sri Lanka are required to obtain a license issued by the CAASL renewed on an annual basis. The number of Travel Agencies increased during year 2012. The significant feature is the opening of Travel Agencies in the North and Eastern parts of the country with the



rapid infrastructure development. The Amount of employees employed by these agents are shown in the following charts.



## Bilateral Air Services Negotiations

The CAASL took part in Bilateral Air Service negotiations held with the overseas Aeronautical Authorities. There were two bilateral air services negotiations in 2012 with Indonesia and Japan and the CAASL participated for both negotiations. The Memorandum of Understanding (MOU) entered into between Indonesia and Sri Lanka

increased the number of frequencies from 6 to 10 and the code share provisions were expanded to ensure the flexibility of operations for the designated Airlines of both parties. The MoU signed between Japan and Sri Lanka enabled further liberalization of the operations between the two countries by providing more access to the Designated Sri Lanka carriers to Narita Airport and also permitting domestic code sharing opportunities.

## Airline Reservation & Fares Calculation Course

The Airline Reservation and Fares Calculation Course which commenced in 2009 has made steady progress in providing skilled human resources to the travel industry. The 5th and 6th batches of students completed their studies in 2012. There were 29 students who completed the Course in the said two batches.

## Slot Co-ordination

The Slot Allocation at BIA is conducted in terms of an agreed criteria of the Slot Committee headed by the Director General of Civil Aviation. Considering the infrastructure available at BIA, the Slot Committee agreed on the criteria of 10 Aircraft departures and 12 Aircraft arrivals per any given hour.

## General Aviation Development

The activities pertaining to General Aviation Development has been entrusted to the Air Transport Section. In addition to Hot Air Balloon operations, there was interest to develop other leisure aviation activities on a commercial basis.

Para motoring was introduced to Sri Lanka for the first time by Sky Club (Pvt) Ltd by conducting private para motor operations in Jaffna and Nuwara Eliya in addition to operations in Koggala, Sigiriya and Puttalam with a view to developing as a commercial venture in the near future. A New para motoring site was approved for operations at Kalpitiya. Two Ultra-Light aircraft owned by Locals were approved for private operations from Katukurunda. A new area for remote controlled model aircraft flying was approved in Nawala in addition to the

already approved sites in Negombo, Kalutara and Katukurunda.

### **Consumer Complaints Handling**

The Consumer Complaints handling mechanism was developed in 2011 in collaboration with the Consumer Affairs Authority continued to serve the industry by settling disputes. 18 complaints made against Airlines/Travel Agents were handled by the Section. CAA also assisted the Tourist Police to handle complaints made to them by tourists pertaining to Air Travel.

### **Meetings with Stakeholders in Air Transport Industry/Department of Commerce.**

The Section coordinated regular meetings with industry bodies such as Board of Airline Representatives, Sri Lanka Association of Airline Representatives, Travel Agents Association of Sri Lanka, IATA Agents association and with Government Institutions such as Department of Commerce to ensure a positive development in the Air Transport industry.

### **Internship for Undergraduates**

One undergraduate each from the Universities of Moratuwa and Colombo, underwent in-plant training at the CAASL for six months during the year under review. This training program was coordinated by the section and the undergraduates were given the exposure to the industry by arranging and coordinating

educational visits. DD (AT&LA) acted as their supervisor. CAASL has so far accommodated 8 such students from the Transport & Logistics Management Department of the University of Moratuwa and 4 students from the University of Colombo.

## **HUMAN RESOURCES & OFFICE MANAGEMENT SECTION**

### **10th Year Anniversary of CAA**

CAA completed ten years since its establishment by 27th December 2012. In line with the Centenary celebrations of Aviation in Sri Lanka of which falls during the same year, the main function took place at the Temple Trees with the patronage of the HE the President, Sewa Wanitha Unit of the CAA organized a Blood Donation campaign and CAA has taken initiative to publish a booklet with the remarkable achievements for the past ten years of period.

### **Staffing**

The CAASL at present consists of one hundred and sixty six (166) positions in its approved cadre. A total of one hundred and forty eight (148) were in employment with the CAASL as at the end of December 2012 including Chief Executive Officer, twenty five (25) Senior Executives, thirty five (35) Executives, fifty five (55) Action Officers and thirty three (33) Support Staff.





## Staff Welfare

CAASL continued with its Medical Insurance Scheme as a welfare facility offered to employees and their immediate family members. A total of one hundred and twenty six (126) employees enjoyed the medical insurance indoor facility worth Rs.1,277,065.71/- and Out Door facility worth Rs. 2,541,819.04/- during the period commencing from May 2011.

In addition to this Medical Insurance Scheme, CAASL has taken measures to obtain an Accident Insurance Policy to cover the working place risks.

As a helping hand to the staff, the CAASL granted a sum of Rs. 3,705,886/- as Distress loans for twenty eight (28) employees and Rs.5,145,500/- as property loan for four (04) employees during period under review. Besides this, sum of Rs.8,794,610/- was granted as loans to purchase Vehicles and Motor bikes in 2012. A Three Wheeler loan was also granted which amounts to sum of Rs.380,700/- for an employee.

## Trainings, Seminars, Workshops, Meetings, Conferences

In achieving the CAASL's goals, being appropriately resource with professional and competent staff, a total of Rs.36,928,683.25 was spent on Local and Foreign trainings, seminars, workshops, meetings, conferences for the staff of CAASL during the year. The training requirements, as identified in the Programme Budget 2012 and the Training Programme 2012 were facilitated within the annual budgetary allocations.

In all, eighty (80) human resource development activities were carried out which includes foreign trainings, seminars, workshops, meetings and conferences opportunities offered to Executives and Civil Aviation Officers, covering 407 man days. A total of one hundred seventeen (117) local activities which includes trainings, seminars, workshops, meetings and conferences opportunities were offered to Executives and Action Officers, covering 891 man days. Accordingly, a total of one hundred ninety seven (197) trainings, seminars, workshops, meetings

and conferences opportunities, covering 1298 man days were offered during the year under review.

## Technical Library

Serving the up gradation of knowledge of the interested parties in Aviation being the major objective of the Technical Library, the CAASL library has been patronized by a number of users both within the staff of the CAASL and aviation industry personnel.

There is an increase of 23% in the year under review with regard to the number of outside users of the library. It serves as a resource and knowledge centre. A sum of Rs. 181,147/= was spent on the purchase of new publications to the library for the year 2012. In addition to that in order to enhance the dissemination of information among staff, Sectional Libraries were maintained by the Technical Library.

## CAASL Website

Improvements were made to the CAASL Website [www.caa.lk](http://www.caa.lk) and updated with the new technology introducing a content management system with new appearance. Information was re-organized considering the new requirements and current information was added and continued with updated information. Continuous updating of the Website was maintained.

## CAASL Corporate Plan and Work Programmes

Corporate Plan for the year 2011-2013 was prepared and steps were taken to finalize same. Some of the Key activities were amended to better represent the activities to be carried out in line with the evolving government policies and CAA practices. Accordingly the Annual Work Programmes of the Divisions, Sections and Units were developed setting out the time lines for the activities to be performed.

## Office Maintenance related activities

CAA continued to function it's Head Quarters at the same location even during the year 2012. During the year 2012, the office building

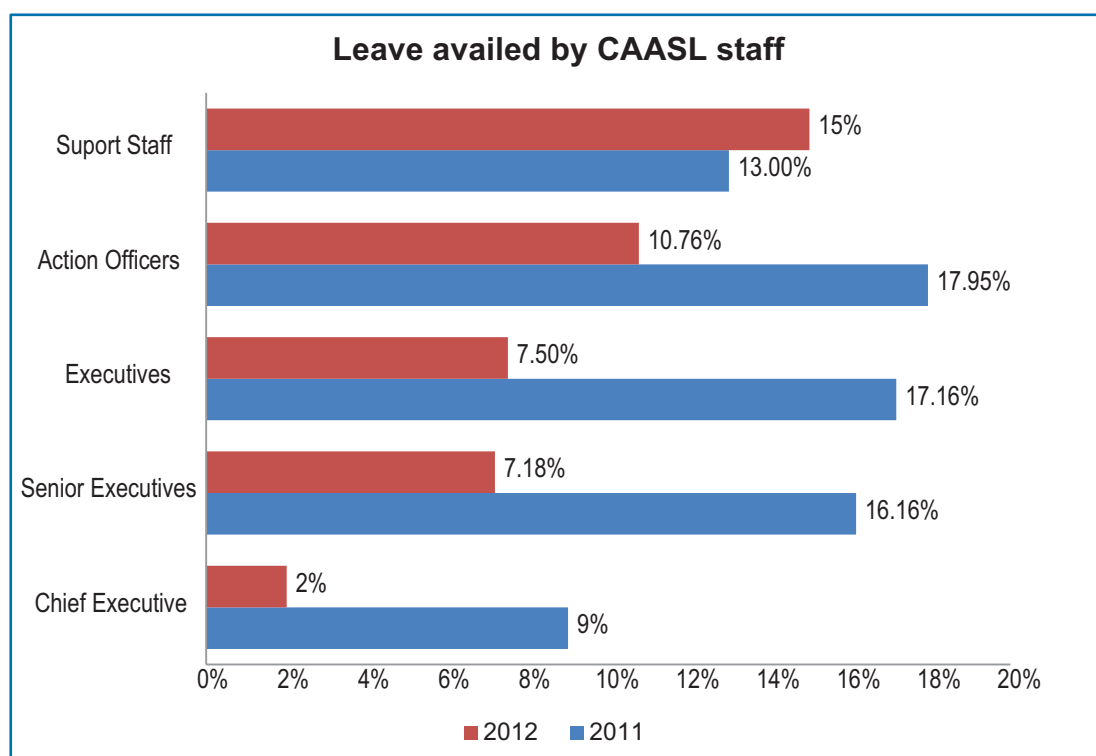
was maintained properly and was kept in high standard creating an impressive out look.

The office quarters at Ratmalana was renovated during the first quarter of the year 2012 which cost Rs. 1,768,500.00 + Vat (12%).

### Automation of CAASL

CAA continued with the IT systems and functions with more dependence on the MS exchange

systems in internal communication. CAA further introduced an E-check list for the inspectors which can be accessed even when they are out of the country. Separate Financial Management system has been introduced in CAA by the Finance Management section.



## FINANCE MANAGEMENT SECTION

### Programme Budget.

CAA prepared the Programme Budget- 2012, which sets out the expenditure of the ensuing year under four major programmes viz. Direction and Management, Aeronautical Services, Flight Safety and Corporate. The forecast income was Rs. 809 million as against the estimated expenditure, which is Rs. 566 million. The estimated expenditure had shown decrease of 52% compared to the last year and the forecast revenue has shown increase of 62% compared to the forecast revenue in year 2011.

### CAA Revenue

CAA revenue has shown 31% increase when compared to the previous year actual income. Significant increase can be seen from the income from Overseas Sales Surcharge, Service Charges from Embarkation Levy and Regulatory Services.

### Management Information

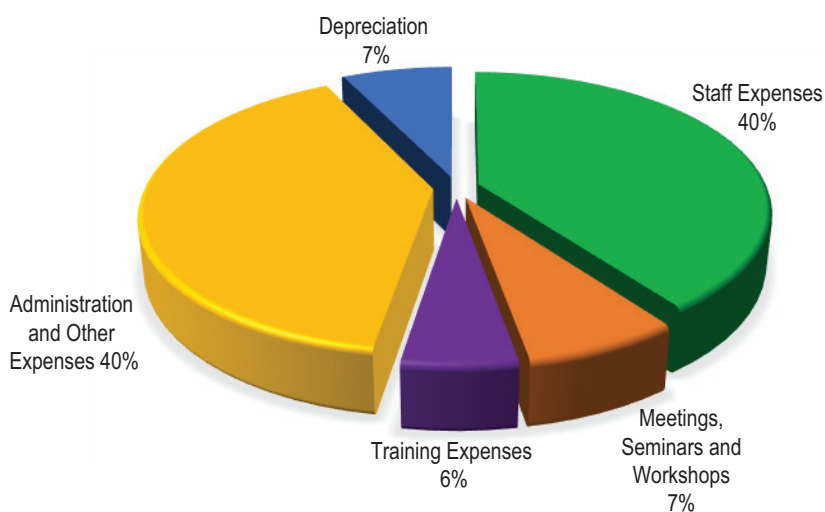
A comprehensive system has been successfully developed and implemented during the year of 2012 which enable for availability of management information system and facility of acceptance of Electronic Cards payments for

the CAA customers. The Financial Management Information Statements have been prepared with the accordance to the Sri Lanka Financial Reporting Standards (SLFRS) whereas previous years prepared in accordance to the Sri Lanka Accounting Standards (SLAS).

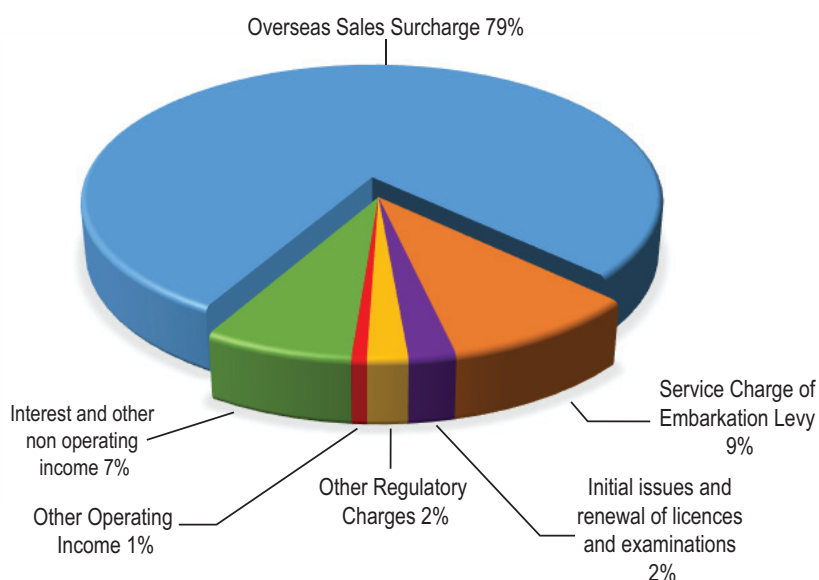
### Vehicle Fleet Management

A long felt need of availability of reliable transport facility for fulfillment of the regulatory duties without any hindrance have been addressed during the year by adding 02 brand new Cabs and one Mini Bus to the fleet.

**Expenditure 2012**



**Income 2012**



# SUMMARY OF PERFORMANCE - 2012

## Performance of CAASL -2012

	2012	2011
<b>Safety and Security Oversight duties and functions</b> (No of Regulations/Notices/Rules issued)		
Air Transport	01	00
<b>Initial Certification of Organizations / Personnel</b>		
Airlines	02	01
Maintenance Organizations	10	03
Flying Training Schools	00	01
Pilots	199	273
Air Traffic Controllers	16	09
Aircraft Maintenance Engineers	00	04
Aircraft Maintenance Licence	158	56
Flight Dispatchers	00	01
Flight Instructors	07	10
Assistant Flight Instructors	04	11
Ground Instructor	10	25
Cabin Crew Members	187	252
<b>Surveillance of Certified Organizations / Personnel</b>		
Ramp Inspections-Airworthiness	102	65
Ramp Inspections-Operation	36	105
Aerodrome Inspections	19	20
Air navigation service providers' Inspections	23	36
Maintenance Organization Inspections	42	10
Flying School Inspections- Personnel Licensing	14	13
Aviation Security inspections	42	00
Simulator inspections	02	02
En-route inspection - Operations	04	12
Dangerous Goods Inspections	18	35
Station Facility Inspection-Airworthiness	00	10
Station Facility Inspection - Operation	02	04
<b>Audits Completed</b>		
Air Navigation Services	01	00
Aviation Security	01	00

## SECTION SPECIFIC ACTIVITIES - 2012

Category	2012	2011
<b>DIRECTION AND MANAGEMENT</b>		
Authority meetings held	13	09
Audit Committee meetings held	08	04
Staff Committee meeting held	02	09
Development Planning and Implementation Group Meetings	06	05
Industry consultative meetings held	201	169
Appointment to outside organizations / personnel	249	248
Number of letters received	5839	6216
<b>AVIATION SECURITY (AV.SEC) SECTION</b>		
Recommendation for issuance of airport access passes	19	11
Approval for carriage of weapons on board/cargo holds of an aircraft	171	77
Authorization for travel in flight deck	01	15
Amendments / Revisions to National Aviation Security Programme	29	00
New Operator Manuals approved	00	04
Existing Operator Manuals reviewed / amended	29	04
Existing Aviation Security Notices revised	07	00
Security Surveillance Activities carried out	36	25
Security Training courses conducted for industry	05	00
Security Screeners certified	429	229
Security Training courses / seminars attended	02	03
AVSEC Examinations Conducted	07	35
Delivery of Avsec Presentations	01	04
<b>SPECIAL PROJECTS (SP) SECTION</b>		
Travel facilities arranged for COSCAP-SA Staff	11	46
Special projects launched	03	03
CADEC Programmes conducted	12	18
<b>AIR NAVIGATION SERVICES (ANS) SECTION</b>		
Approvals for construction of high rise structures	653	648
Approvals for issuances of NOTAM	264	206
Issuance of Aeronautical Information Circulars	09	12
AIP Supplement Issued	08	08
Issuance of over flying clearance	1030	940
Landing permissions for non-schedule flights	655	630
Training courses / seminars attended	34	19
Existing Guidance Materials revised	00	01
Approval for Water Aerodromes	00	15
Aerodrome Surveillance carried out	19	20
ATS Surveillance carried out	24	36
ATC rating test conducted	23	06
ATC Simulator test	05	17
Language Proficiency test	54	19
Lectures (COSCAP assistance)	00	05



<b>PERSONAL LICENSING (PL)</b>		
Student Pilot Licenses(SPL) (Issuance+ Renewals)	155	115
Private Pilot Licenses(PPL) (Issuance+ Renewals)	94	98
Commercial Pilot Licenses(CPL) (Issuance+ Renewals)	264	317
Airline Transport Pilot Licenses (ATPL) (Issuance+ Renewals)	414	382
Air Traffic Controller Licenses(ATC) (Issuance+ Renewals)	44	81
Aircraft Maintenance Engineer Licenses(Issuance+ Renewals)	113	173
Aircraft Maintenance License-(Issuance +Renewals)	397	221
Aircraft Maintenance License-Type Ratings-Issuances	38	00
Aircraft Maintenance License-Categories-Issuances	14	00
Cabin Crew Certificate-Issuance	225	252
Cabin Crew Certificate-Re Issuance	50	00
Flight Operation Officer License-Issuance	00	01
Validation of Foreign Licenses (Pilots)-(Issuance +Renewals)	73	97
Free Balloon Pilot License-(Issuance +Renewals)	05	01
Flight Engineer License-(Issuance +Renewals)	00	01
Flight Navigator License-(Issuance +Renewals)	00	01
Validations of Foreign Licenses (AME)-(Issuance +Renewals)	11	19
Aircraft type Rating for Commercial Pilot License (CPL)/ Airline Transport Pilot Licenses (ATPL) Issuances	140	146
Assistant Flight Instructor (AFI) /Flight Instructor (FI) Rating -(Issuance +Renewals)	28	21
Flying School Licenses-Renewal	06	04
Ground Instructor License	00	06
Ground Instructor Approvals	12	24
Air Traffic controllers Rating	100	103
Flying School Licenses-Issuances	00	01
Aircraft Maintenance Engineer Licenses (AME) Category- Issuance	01	07
Approval to recruit foreign pilots	62	56
Issuance of visa recommendations	92	92
Issuance of personnel Licensing from Foreign Authority	349	125
Issuance of NIB Clearances	359	373
Medical Examinations	866	1350
Examinations		
1. PPL Examination	89	120
2. Special Air Law Examination	06	10
3. AME Examination	00	02
4. AML Examination	02	03
	411 applicants	762 applicants
5. CPL /IR(A) Examination	06	15
6. CPL(H)Examination	00	01
7. ATPL Examination	56	13
8. ATPL (H)Examination	06	20
9. Foreign Licence Conversion Examination	04	57
10. English Language Proficiency Check	117	124
11. Reactivation of Lapsed Licence Examination (CPL/IR)	12	02
12. Radio Telephony Practical Test	55	31



13. Assistant Flight Instructor Examination	00	04
14. Flight Test Examiner Examination	00	03
15. AML Conversion Examination	02	02
	411 applicants	762 applicants
<b>OPERATIONS (OPS)</b>		
Training courses / Seminars attended	13	07
New Guidance Material issued	03	00
Special operations	11	10
Cabin crew authorization	266	252
Foreign air operator certificate –initial	02	05
Foreign air operator certificate - renewal	26	27
Dangerous Good transport licenses - initial	00	01
Dangerous Good transport licenses - renewal	13	10
DCP Initial	09	05
DCP Renewal	23	22
Air Operator Certificate-initial	00	01
Air Operator Certificate-renewal	08	07
Approvals for simulator station facility	00	01
Simulator renewal	05	10
Check Authorization	220	244
Surveillance Activities Performed	92	181
Resolution of safety occurrences	02	00
<b>AIRWORTHINESS (AW)</b>		
New Aviation Safety Notices issued	00	01
Training Courses/ Seminars attend	06	05
Surveillance activities carried out(Ramp, Audit)	102	56
Certificate of Airworthiness of aircrafts-Initial	08	16
Certificate of Airworthiness of aircrafts-Renewal	40	28
Approval of workshop of aircraft maintenance organization.	10	09
Certificate of registration of aircrafts-Initial	06	22
Certificate of registration of aircrafts-Renewal	51	34
Approval of Maintenance Organization with facility inspection	42	57
Resolution of aviation occurrences	32	38
<b>AIR TRANSPORT &amp; LEGAL AFFAIRS (AT&amp;LA)</b>		
Draft new regulations produced	01	02
Training courses / seminars attended	02	02
New Guidance Material produced	01	01
Existing guidance material revised	01	01
Domestic flight schedule approvals	03	00
Surveillance of Air Transport Providers carried out	18	04
International flight schedule approvals	25	32

Visa recommendation for non-technical experts staff	16	11
Charter licenses for Sri Lanka Registered Airline	08	06
Airline licenses for Sri Lanka Registered Airline	03	03
Charter licenses – International Operations	04	03
Charter licenses - domestic regular Operations	06	05
Air transport provider's licenses	450	405
Private Operations license	02	02
New Air Service Agreements entered	00	01
Existing Air Services Agreements reviewed	02	14
Open skies air services agreements at the end of the year	06	06

#### HUMAN RESOURCES AND OFFICE MANAGEMENT (HROM)

New rules on HR&OM issued	06 (Implementing Standards)	05 (Implement Standards)
Existing rules on HR&OM revised	02	03
Staff Recruitments	09	36
Total overseas training arranged	80 (407 Man days)	90 (486 man days)
Total local training arranged	117 (891 Man days)	135 (314 Man days)
Total staff	148	148
General Staff Meetings held	00	01
Performance Evaluations conducted	70	68
Staff Retirements	01	03
Staff loans facilitated	Rs 18.02m	Rs 23.9m
Local workshops conducted	00	03
New Documents added to the Technical Library	137	117
Web site revisions	13	12 (sent HROM)
Software upgrades (Machines)	08	460

#### FINANCE MANAGEMENT (FM)

Total Revenue collected	988m	Rs 744m
Total expenditure incurred	370m	Rs 315m
Total Staff salaries paid	148m	Rs 125m
Vehicles purchased	03	05
Computers purchased	09	74

#### INTERNAL AUDIT (AI)

Audits conducted	34	15
Findings raised	50	95

#### AIRCRAFT ACCIDENT & INCIDENT INVESTIGATION (AAII)

Incidents reported	06	01
Accidents reported	00	00
Occurrence reported	137	114

Serious Injuries to passengers or crew	00	00
Minor Injuries to passengers or crew	19	00
Draft New Regulations produced	01	01
Training Courses/Seminars attended	01	01
New Guidance Material produced	00	01
Existing Guidance Material revised	01	01

## PERFORMANCE OF THE INDUSTRY - 2012

	2012	2011
<b>Traffic Particulars</b>		
<b>International traffic</b>		
Passengers	8,290,668	6,885,082
Embarked	3,554,969	3,095,089
Disembarked	3,590,122	3,079,126
Transit	1,145,577	710,867
Cargo (Metric tons)	174,645	158,572
In bound	66,602	63,161
Out bound	108,043	95,411
Aircraft Movements	48,734	43,673
Scheduled flights	46,616	41,891
Charters flights	2,118	1,782
Number of airlines operated	40	36
Scheduled Services	30	28
Charters	07	04
All cargo	03	04
<b>Domestic traffic</b>		
Passengers Carried	8,421	2,047
Cargo (Metric tons)	00	00
Aircraft Movements	1,715	392
Number of Airline Operated		
Scheduled flights	01	00
Charter flights	02	02

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st December 2012


	Note	SLFRS 31.12.2012		SLFRS 31.12.2011		SLAS 31.12.2011	
		Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
<b>INCOME</b>		<b>988,991,622.16</b>		<b>746,974,839.73</b>		<b>744,057,943.73</b>	
Income	(4)	918,524,428.11		687,539,179.30		687,539,179.30	
Other Income	(5)	70,467,194.05		59,435,660.43		56,518,764.43	
<b>EXPENDITURE</b>		<b>(370,804,177.77)</b>		<b>(518,077,112.69)</b>		<b>(515,160,216.69)</b>	
Staff Expenses	(6)	(148,638,658.02)		(131,741,781.67)		(128,824,885.67)	
Meetings, Seminars and Workshops	(7)	(26,794,066.10)		(18,970,807.98)		(18,970,807.98)	
Training Expenses	(8)	(20,106,117.69)		(22,380,262.52)		(22,380,262.52)	
Administration and Other Expenses	(9)	(148,764,416.90)		(120,735,518.27)		(120,735,518.27)	
Depreciation		(26,500,919.06)		(24,248,742.25)		(24,248,742.25)	
Provision for Investigation Fund		-		(200,000,000.00)		(200,000,000.00)	
<b>Profit/(Loss) from Ordinary Activities before Taxation</b>		<b>618,187,444.39</b>		<b>228,897,727.04</b>		<b>228,897,727.04</b>	
Taxation	(10)	(94,722,505.91)		(199,054,612.09)		(197,292,954.44)	
<b>Net Profit/(Loss) for the year</b>		<b>523,464,938.48</b>		<b>29,843,114.95</b>		<b>31,604,772.60</b>	
<b>OTHER COMPREHENSIVE INCOME</b>							
Gain on Revaluation of Property, Plant and Equipment		-		-		-	
Actuarial Gain/(Loss) on defined benefit plans		-		-		-	
Gain/(loss) on translating the financial statements of a foreign operation		-		-		-	
Gain/(loss) on Available-for-sale financial assets		-		-		-	
Income tax relating to items of Gain/(loss)		-		-		-	
<b>Total comprehensive income for the year</b>		<b>523,464,938.48</b>		<b>515,329,686.44</b>		<b>29,843,114.95</b>	

## STATEMENT OF FINANCIAL POSITION

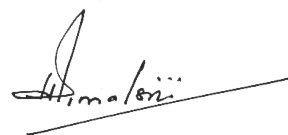
AS AT 31 ST DECEMBER 2012

	Note	SLFRS 31.12.2012		SLFRS 31.12.2011		SLAS 31.12.2011	
		Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
<b>ASSETS</b>		<b>1,202,805,871.50</b>		<b>1,086,262,271.26</b>		<b>1,086,262,271.26</b>	
<b>Non-Current Assets</b>		<b>114,891,490.00</b>		<b>110,099,478.51</b>		<b>110,099,478.51</b>	
Property, Plant & Equipment	(11)	114,891,490.00		110,099,478.51		110,099,478.51	
<b>Current Assets</b>		<b>1,087,914,381.50</b>		<b>976,162,792.75</b>		<b>976,162,792.75</b>	
Inventories	(12)	6,934,256.43		1,586,231.16		1,586,231.16	
Trade Receivables and Staff Loans	(13)	180,555,880.06		138,910,733.59		151,575,041.59	
Other Financial Assets	(14)	543,528,106.43		502,513,280.00		502,513,280.00	
Advances, Prepayments and Other Receivables	(15)	136,448,863.07		124,274,758.74		111,610,450.74	
Cash and Cash Equivalents	(16)	220,447,275.51		208,877,789.26		208,877,789.26	
<b>EQUITY AND LIABILITIES</b>		<b>1,202,805,871.50</b>		<b>1,086,262,271.26</b>		<b>1,086,262,271.26</b>	
<b>Capital and Reserves</b>		<b>511,349,053.86</b>		<b>442,135,945.87</b>		<b>448,066,527.96</b>	
Government Grants	(17)	8,562,380.05		9,168,434.05		9,168,434.05	
Revaluation Surplus	(18)	13,485,465.44		13,485,465.44		13,485,465.44	
Accumulated Profit		489,301,208.37		419,482,046.38		425,412,628.47	
<b>Non-Current Liabilities</b>		<b>274,709,426.94</b>		<b>274,584,323.09</b>		<b>268,653,741.00</b>	
Deferred Tax Liabilities	(19)	4,762,194.44		5,930,582.09		-	
Provisions and Other Liabilities	(20)	259,676,305.00		259,413,871.00		259,413,871.00	
Retirement Benefits Obligation	(21)	10,270,927.50		9,239,870.00		9,239,870.00	
<b>Current Liabilities</b>		<b>416,747,390.70</b>		<b>369,542,002.30</b>		<b>369,542,002.30</b>	
Trade Payables	(22)	282,872,312.57		254,868,404.05		254,868,404.05	
Other Payables	(23)	43,274,312.31		8,513,660.54		8,513,660.54	
Income Tax Liabilities	(24)	90,566,586.22		106,159,937.71		106,159,937.71	

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.  
Signed for and on behalf of the Board by,



**General Rohan De Silva Daluwatte**  
Chairman  
Civil Aviation Authority of Sri Lanka



**H M C Nimalsiri**  
Director General of Civil Aviation &  
Chief Executive Officer  
Civil Aviation Authority of Sri Lanka

## STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31ST DECEMBER 2012

	Note	Government Grant		Revaluation Reserve		Accumulated Profit		Total	
		Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
<b>Balance as at 1st January 2011</b>		<b>9,774,488.05</b>		<b>13,652,001.91</b>		<b>629,983,379.77</b>		<b>653,409,869.73</b>	
Profit for the period			-		-	29,843,114.95		29,843,114.95	
Prior year adjustment			-		-	9,855,551.66		9,855,551.66	
Appropriation of net surplus			-		-	(250,000,000.00)		(250,000,000.00)	
Amortization for year		(606,054.00)			-	-		(606,054.00)	
Charge for 2009			-	(166,536.47)		-		(166,536.47)	
<b>Balance as at 31st December 2011</b>		<b>9,168,434.05</b>		<b>13,485,465.44</b>		<b>419,482,046.38</b>		<b>442,135,945.87</b>	
Profit for the period			-		-	523,464,938.48		523,464,938.48	
Prior year adjustment	(25)		-		-	(103,645,776.49)		(103,645,776.49)	
Appropriation of net surplus	(26)		-		-	(350,000,000.00)		(350,000,000.00)	
Amortization for year		(606,054.00)			-	-		(606,054.00)	
<b>Balance as at 31st December 2012</b>		<b>8,562,380.05</b>		<b>13,485,465.44</b>		<b>489,301,208.37</b>		<b>511,349,053.86</b>	



## STATEMENTS OF CASH FLOW

YEAR ENDED 31ST DECEMBER 2012

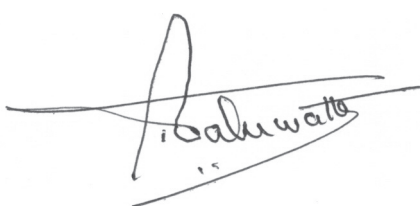
	2012 Rs.	2011 Rs.
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit/(Loss) from Ordinary Activities before Taxation	618,187,444.39	428,897,727.04
<b>Adjustments for</b>		
Depreciation	26,500,919.06	24,248,742.25
Amortization of Government Grant	(606,054.00)	-
Income from Investments	(64,756,055.37)	(55,832,002.10)
Provision for Insurance Fund	67,450.00	66,150.00
Prior Year Adjustments	6,986,497.51	9,911,534.70
(Profit)/Loss on sales of Property, Plant & Equipment	225,842.59	(440,519.25)
Disallowable VAT on Purchases of Fixed Assets	(3,030,221.66)	-
Provision for Defined Benefit Plans	1,767,642.50	1,390,920.00
<b>Operating Profit/(Loss) before Working Capital Changes</b>	<b>585,343,465.02</b>	<b>408,242,552.64</b>
Increase in Inventories	(5,348,025.27)	(392,933.84)
Increase in Trade Receivables and Staff Loans	(41,645,146.47)	(100,651,627.63)
Increase in Advances, Prepayments and Other Receivables	(12,872,922.05)	-
Decrease in Provisions and Other Liabilities	262,434.00	-
Increase in Trade and Other Payables	62,764,560.29	(11,088,530.04)
<b>Cash Generated from Operations</b>	<b>588,504,365.52</b>	<b>296,109,461.13</b>
Defined Benefit Plan Costs Paid	(736,585.00)	-
Income Tax Paid	(222,082,339.45)	(164,317,513.17)
<b>Net Cash From/(Used in) Operating Activities</b>	<b>365,685,441.07</b>	<b>131,791,947.96</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Acquisition of Property, Plant & Equipment	(28,926,051.48)	(86,221,947.76)
Proceeds from Sale of Property, Plant & Equipment	437,500.00	1,735,335.00
Acquisition of other Investments	(210,303,036.52)	184,822,750.44
Proceeds from sales of other Investments	169,402,178.19	(1,593,570.57)
Interest Received	65,135,454.99	54,869,651.40
Bank Guarantee	138,000.00	4,278,936.00
<b>Net Cash Flows from/(Used in) Investing Activities</b>	<b>(4,115,954.82)</b>	<b>157,891,154.51</b>
<b>Cash Flows from/(Used in) Financing Activities</b>		
Consolidation Fund	(350,000,000.00)	(250,000,000.00)
<b>Net Cash Flows from/(Used in) Financing Activities</b>	<b>(350,000,000.00)</b>	<b>(250,000,000.00)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>11,569,486.25</b>	<b>39,683,102.47</b>
Cash and Cash Equivalents at the beginning of the year	208,877,789.26	169,194,686.80
<b>Cash and Cash Equivalents at the end of the year</b>	<b>220,447,275.51</b>	<b>208,877,789.27</b>
<b>Analysis of Cash &amp; Cash Equivalents</b>		
Cash at Bank	40,447,275.51	18,883,855.94
Short term investments	180,000,000.00	189,994,133.32
	<b>220,447,275.51</b>	<b>208,877,789.26</b>

# FINANCIAL STATEMENTS 2012

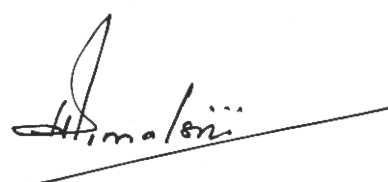
## STATEMENT OF RESPONSIBILITY OF MANAGEMENT OF THE AUTHORITY TO FINANCIAL REPORTING

In terms of Section 14 & 15 of Civil Aviation Authority of Sri Lanka Act No 34 of 2002, the Management of the Authority is responsible for,

- i. Keeping proper books of accounts of the income and expenditure, assets and liabilities and all other financial transactions of the Authority.
- ii. Preparing accounts in accordance with the Sri Lanka Accounting Standards adopted by the Institute of Chartered Accountants of Sri Lanka under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 for the purpose of presenting a true and fair view of the financial performance and the financial condition of the Authority.
- iii. Taking appropriate steps to safeguard the assets of the Authority and to establish appropriate internal controls to prevent and detect frauds and other irregularities.



**General Rohan De Silva Daluwatte**  
Chairman



**H.M.C. Nimalsiri**  
Director General of Civil Aviation  
& Chief Executive Officer.

## SIGNIFICANT ACCOUNTING POLICIES

### 1. GENERAL POLICIES

#### 1.1 Statement of Compliance.

The statement of financial position, Comprehensive income, Changes in Equity, Cash flow and notes together with summary of significant accounting policies (the “financial statements”) of the authority have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) as issued by The Institute of Chartered Accountants of Sri Lanka (CA), which represent International Financial Reporting Standards (“IFRS”), as issued by the International Accounting standard Board.

#### 1.2 Responsibility for Financial Statements.

The Management of Civil Aviation Authority of Sri Lanka is responsible for the preparation and presentation of the financial statements.

#### 1.3 Going Concern

When preparing the financial statements the Management has assessed the ability of the Authority to continue as a going concern. The Management has a reasonable expectation that the Authority has adequate resources to perform its legitimate duties and functions and continue in operational existence for the foreseeable future. The Authority does not foresee a need for liquidation or cessation of operations, taking into account all available information about future. Accordingly, the Authority continues to adopt the going concern basis in preparing the financial statements.

#### 1.4 First-time adoption of SLFRS/LKAS

These financial statements are prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS) as defined by LKAS 1. They have been prepared under the historical cost convention.

For all periods up to and including the year ended 31 December 2011, the Authority prepared its financial Statements in

accordance with local generally accepted accounting practice (SLAS). These financial statements for the year ended 31 December 2012 are the first that the Authority has prepared in accordance with SLFRS.

Accordingly, the Authority has prepared Financial Statements which comply with SLFRS applicable for periods ending on or after 31 December 2012, together with the comparative period data as at and for the year ended 31 December 2011, as described in the accounting policies. In preparing these financial statements, the Authority’s opening statement of financial position was prepared as at 1 January 2011, the Authority’s date of transition to SLFRS. The note (26) explains the principal adjustments made by the Authority in restating its SLAS statement of financial position as at 1 January 2011 and its previously published SLAS financial statements as at and for the year ended 31 December 2011.

The presentation and classification of the financial statements of the previous period have been amended as required by SLFRS 1- First-time Adoption of International Financial Reporting Standards.

#### 1.5 Reconciliations of Previous GAAP (SLAS) to SLFRS

SLFRS 1 requires the Authority to provide reconciliation for equity reported in accordance with previous SLAS and equity reported in accordance with SLFRSs for the date of transition and last period presented in the entities most recent annual financial statements which is 1 January 2011 and 31 December 2011 respectively and comprehensive income for the year 2011. Moreover, SLFRS 1 requires giving an additional reconciliation to the cash flow statement if there are material adjustments. The adoption of SLFRS has not changed the Authority’s actual cash flows, however it has resulted in certain changes to the

Authority's reported financial position and results of operations. SLFRS has also resulted in a number of presentation changes on the face of the Authority's financial statements.

#### **1.6 New Accounting Standards issued but not yet effective as at balance sheet date**

The following new standards, amendments and interpretations to existing standards have been published by the Institute of Chartered Accountants of Sri Lanka, but are not yet effective up to the date of authorization of these financial statements. Possible impact on the financial statements of the application of the above new standards have not yet been assessed, and the Authority intends to adopt these standards, interpretations and amendments to existing standards that are expected to be relevant to the Authority's financial statements as and when they become effective.

SLFRS 9 Financial Instruments

SLFRS 12 Disclosure of interests in other entities

SLFRS 13 Fair value measurements

#### **1.7 Significant accounting judgments, estimates and assumptions**

The preparation of the Authority's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include judgment, estimate and assumptions.

##### **Judgments**

In the process of applying the Authority's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most

significant effect on the amounts recognized in the financial statements.

##### **Leases**

Leases in which the Authority has substantially all the risks and rewards of ownership are classified as finance leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

##### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### **(a) Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, and where observable market data are not available, judgment is required to establish fair values.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The carrying value at the balance sheet date of financial assets is Rs. 953, 093, 212/- (2011, Rs. 960, 408, 130/-)

##### **(b) Valuation of defined benefit obligation**

The cost of defined benefit pension plans is determined using the formula method.

The carrying value at the balance sheet date of defined benefit obligation

is Rs.10, 270, 928/- (2011, Rs. 9, 239, 870/-)

**(c) Fair Value**

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. When a financial instrument is initially recognized, its fair value is generally the value of the consideration paid or received. Subsequent to initial recognition, the fair value of a financial asset quoted in an active market is generally the bid price and, for a financial liability quoted in an active market, the fair value is generally the ask price. For financial instruments such as cash equivalents and short-term investments that have a short duration, the carrying value of these instruments approximates fair value.

**(d) Income tax**

The Authority is subject to income taxes and significant judgment is required in determining the overall provision for income taxes.

**1.8 Functional and Presentation Currency**

The functional currency of the Authority is determined to be Sri Lankan Rupees and the Financial Statements are also presented in Sri Lankan Rupees.

**2. SPECIFIC ACCOUNTING POLICIES**

**2.1 Financial assets**

The Authority classifies its financial assets into the following categories: loans and receivables, held to maturity and available for sale. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

**2.1.1 Classification**

**(a) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not

quoted in an active market. Receivables arising from ordinary transactions are also classified in this category and are reviewed for impairment.

**(b) Held-to-maturity financial assets**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the authority's management has the positive intention and ability to hold to maturity, other than: those that

- ❖ The Authority upon initial recognition designates as at fair value through profit or loss; or
- ❖ The Authority designates as available for sale; and
- ❖ That meets the definition of loans and receivables.

Interests on held-to-maturity investments are included in the income statement and are reported as 'Investment income'.

**(c) Available-for-sale financial assets**

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

**2.1.2 Recognition and measurement**

Financial assets are initially recognized at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from them have expired or where they have been transferred and the authority has also transferred substantially



all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortized cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement as net realized gains/losses on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement.

### 2.1.3 Determination of fair value

The fair value of loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

### 2.1.6 De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) The Authority has transferred

substantially all the risks and rewards of the asset, or

- (b) The Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Authority has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Authority's continuing involvement in it. In that case, the Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Authority could be required to repay.

## 3. PROPERTY, PLANT AND EQUIPMENT

### 3.1 Cost / Revaluation

Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The cost of property and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its condition for its intended use. Where items of property and equipment are subsequently re-valued, the entire class of such assets is re-valued. The Authority has adopted a policy of revaluing assets every 03 years. However, when the

fair value of assets subject to revaluation defers materially from the carrying amount a further revaluation is done.

When an asset is re-valued, any increase in the carrying amount is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognised as an expense. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings.

- 3.2** Property, Plant and Equipment transferred from General Treasury/Government are stated at the fair value as of the date of receipt of the assets. (Valuation was done in 2003.) For the purpose IFRS conversion, revalued amounts of the said assets have been considered deemed cost as at 1st January 2011.

### 3.3 Depreciation

The provision for depreciation is calculated on the straight-line basis on the Cost/valuation (less 10% of the residual value of the cost/valuation of the asset) of the Property, Plant and Equipment. All Property, Plant and Equipment other than land have been depreciated annually on the following percentages in order to write off such amounts over the useful lives.

Buildings	6 2/3%
Motor Vehicles	12.5 %
Plant, Machinery & Equipment	25 %
Furniture & Fittings	25 %
IT Soft Ware	50 %

Depreciation has been charged commencing the date of purchase and 10% of the cost/revaluation amounts have been retained as residual value in determining the depreciable amount of the individual assets.

During the year under review economic life time of the property, plant and equipments were reassessed as required by the LKAS 16 based on the best of the information available. As a result depreciation rates were changed for some property, plant and equipment. The resulting impact of change in economic life time of the assets will be adjusted in the financial statements commencing from the 2012 onwards.

Effective life time of motor vehicles were reassessed and depreciation rate was revised from 25 % to 12.5 % for the motor vehicle purchased after 2008. Rate of depreciation of motor vehicles purchased before 2008 remained unchanged as those vehicles have been condemned and being in disposal process.

### 3.4 De-recognition

Items of property and equipment are de-recognised upon disposal or when no future economic benefits are expected from its use. Gain or loss arising on de-recognition of an item of property, plant and equipment is determined as the difference between the sales proceed and the carrying amount of the asset and is recognized in the income statement.

### 3.5 Impairment of Tangible Assets

At the end of each reporting period, the Authority reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.



Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement, unless the relevant asset is carried at a revalue amount, in which case the impairment loss is treated as a revaluation decrease.

#### 4. INVENTORIES

All inventories have been valued at lower of Cost or Net Realizable Value. Cost is determined based on First in First out basis. (FIFO)

#### 5. OTHER ASSETS

Other assets include Other Debtors and Receivables, Advances, Deposits, Prepayments, Taxation Receivable.

##### (a) Advances, Deposits, Prepaid Expenditure

Expenditure which is deemed to have a benefit or relationship to more than one financial year is classified as advances, deposits and prepaid expenditure. Such expenditure is written off over the period, to which it relates, on a time proportion basis.

##### (b) Other Debtors

Other debtors are recognized at cost less impairment loss.

##### (c) Taxation Receivable

Taxation receivable is recognized at cost.

##### (d) Prepaid Staff Cost

This represents the balance

arising from the staff loans given at concessionary rates to the employees of the authority.

#### 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are held for the purpose of meeting short-term cash commitments.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

#### 7. PROVISIONS

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

##### 7.1 Employee Benefits

###### Defined Contribution Plans

Employees are eligible for Employees' Provident Fund (EPF) Contributions and Employees' Trust Fund (ETF) Contributions in line with the respective statutes and regulations. The Authority pays fixed contributions of gross emoluments of employees to Employees' Provident Fund

and Employees' Trust Fund and will have no legal or constructive obligation to pay further amounts.

### **Defined benefit plans**

Defined benefit plans are post-employment plans other than defined contribution plans. Authority is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983. A provision for the obligations under the Act is determined based on the half month salary multiplied by number of years in service.

### **7.2 Accident Investigation Fund**

The States obligation of accident investigation, search and rescue in respect of air accidents vests with the Civil Aviation Authority. For this purpose a provision of Rs.250 Mn has been made in the financial statements. Value of the Provision has been determined based on the judgment of the Management of the Authority.

### **7.3 Staff Welfare & Social Security Fund**

The Staff Welfare & Social Security Fund has been created in terms of section 20(5) of the Civil Aviation Authority of Sri Lanka Act No. 34 of 2002, in respect of the public officers, who have retired from the public service and joined with the Civil Aviation Authority. The amount lying in the name of each retired officer with accumulated interest will be released at the time of retirement from the Civil Aviation Authority of Sri Lanka.

## **8. FINANCIAL LIABILITIES**

### **8.1 Initial recognition and measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Authority's financial liabilities include trade and other payables.

## **9. OTHER LIABILITIES**

Other liabilities include other creditors including Accrued Expenditure. These are stated at their historical value which is deemed to be their fair value.

## **10. INCOME RECOGNITION**

### **10.1 Overseas sales surcharge/Service charge of embarkation levy/Initial issues & the renewal of licenses / Amendments to Airline License/Regulator service fees/ Examination fees.**

Revenue from above services / fees is recognized at fair value in the period in which the related services are rendered.

### **10.2 Interest Income**

Interest income for all interest-bearing financial instruments including financial instruments measured at fair value through profit or loss, are recognized within 'investment income' in the income statement using the effective interest rate method. When a receivable is impaired, the Authority reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

### **10.3 Other Income**

Other income is recognized on an accrual basis

## **11. EXPENSES RECOGNITION**

All expenses are measured at fair value of the consideration given and recognize in the period to which those expenses relate.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period and are treated as a change in an accounting estimate.

## **12. BORROWING COSTS**

Borrowing costs are interest & other costs incurred by the Authority in connection with the borrowing of funds. Borrowing costs are recognized as an expense in the period in which they are incurred.

## **13. CURRENT AND DEFERRED INCOME TAX**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or subsequently enacted by the statement of financial position date. Accordingly, provision for taxation is made based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit, is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Authority controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax effects of carry-forwards of unused losses or unused tax credits are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

## **14. FOREIGN CURRENCY TRANSLATION/TRANSACTIONS**

All transactions in currencies other than the functional currency are recorded in Sri Lankan Rupees, using the exchange rates prevailing at the time the transactions were effected. At each Statement of Financial position date, monetary assets and liabilities denominated in foreign currencies are retranslated to Sri Lankan Rupee equivalents at the exchange rate prevailing on the Balance Sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees using the exchange rate prevailing at the date of transaction. Exchange differences arising on settlement of monetary items and re-translation of monetary items, are recognized in the income statement in the year in which they arise.

## 15. EVENTS AFTER BALANCE SHEET DATE

The directors monitor events closely and where necessary adjustments or disclosures are made in the current Financial Statements in respect of material post balance sheet events as appropriate.

## 16. CONTINGENT LIABILITIES

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

## 17. CASH FLOW STATEMENT

The cash flow statement has been prepared by using Indirect Method in accordance with the Sri Lanka Accounting Standard No. 9 on Cash flow statements.

The Indirect Method discloses the profit or loss adjusted by the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

## 18. GOVERNMENT GRANTS

The value of the Government Grant reflects, assets transferred from Department of Civil Aviation at the time of formation of the Authority less accumulated amortization.

Government Grants as at 01.01.2011	-	Rs. 9,774,488.05
Less: Amortization for the year 2011	-	Rs. 606,054.00
Government Grants as at 31.12.2011	-	Rs. 9,168,434.05
Less: Amortization for the year 2012	-	Rs. 606,054.00
Government Grants as at 31.12.2012	-	Rs. 8,562,380.00

## NOTES TO THE FINANCIAL STATEMENT

YEAR ENDED 31ST DECEMBER 2012

### (1) STAFF LOAN

According to the LKAS 39, Staff Loans are recognized at amortized cost using the effective interest rate, less any impairment losses. According to staff loans outstanding as at 1st January 2011 were measured at amortized cost. As a result a prepaid staff cost and IFRS adjustments account amounting to Rs. 7,314,918 were established in the book of accounts of the authority.

The respective balances are shown in the financial statements as follows.

- (1.1) IFRS adjustment account balance was deducted from staff loan account. As a result staff loan is now shown at fair value in the balance sheet.

Staff Loan	29,303,171.13
IFRS Adjustments	(7,314,918.00)
	21,988,253.13

- (1.2) Prepaid Staff Cost arised due to above adjustment is shown under current assets.

Prepaid Staff Cost	7,314,918.00
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### (2) ACCUMULATED PROFIT AS AT 1ST JANUARY 2011.

The following adjustment was made to the accumulated profit as at 1st January 2011.

Accumulated Profit as at 1st January 2011 as per SLAS	634,152,304.21
Deferred Tax as per note No. 03	(4,168,924.44)
Accumulated Profit after IFRS adjustments, as at 1st January 2011.	629,983,379.77

### (3) DEFERRED TAX

Accounting Written Down Value of P.P.E as at 31.12.2010	50,449,662.26
Tax Written Down Value of P.P.E as at 31.12.2010	38,538,449.57
Difference	(11,911,212.69)
Differed Tax at 35%	(4,168,924.44)

The above was adjusted to the retained earnings as at 1st January 2011.

	SLFRS 31.12.2012		SLFRS 31.12.2011		SLAS 31.12.2011	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
<b>(4) INCOME</b>	<b>918,524,428.11</b>		<b>687,539,179.30</b>		<b>687,539,179.30</b>	
Overseas Sales Surcharge	777,079,501.28		559,570,672.40		559,570,672.40	
Service Charge of Embarkation Levy	92,897,230.67		84,632,690.14		84,632,690.14	
Initial issues and renewal of licences	17,118,445.73		15,896,296.50		15,896,296.50	
Examination Fees	4,546,056.19		2,532,726.75		2,532,726.75	
Other Regulatory Charges	19,510,535.24		17,994,188.00		17,994,188.00	
Other Operating Income	7,372,659.00		6,912,605.51		6,912,605.51	

## NOTES TO THE FINANCIAL STATEMENTS Cont...

	SLFRS 31.12.2012		SLFRS 31.12.2011		SLAS 31.12.2011	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
<b>(5) OTHER INCOME</b>	<b>70,467,194.05</b>		<b>59,435,660.43</b>		<b>56,518,764.43</b>	
Miscellaneous Income	879,972.43		165,959.33		165,959.33	
Rental Income	115,503.25		80,283.75		80,283.75	
Profit from Disposal of Fixed Assets	-		440,519.25		440,519.25	
Interest Income from Staff Loans (IFRS)	4,109,609.00		2,916,896.00		-	
Amortization of Government Grant	606,054.00		-		-	
<b>Interest Income</b>						
Interest from Staff Loan	2,928,507.31		2,153,770.85		2,153,770.85	
Interest from Treasury Bill	20,433,433.92		43,505,705.82		43,505,705.82	
Interest from Fixed Deposits	31,142,884.22		831,276.71		831,276.71	
Interest from Call Deposits	8,842,495.67		9,341,248.72		9,341,248.72	
Interest from Embarkation Levy	1,408,734.25		-		-	
<b>(6) STAFF EXPENSES</b>	<b>148,638,658.02</b>		<b>131,741,781.67</b>		<b>128,824,885.67</b>	
Salaries and Wages	59,821,258.92		53,145,019.80		53,145,019.80	
Other Allowances	46,761,582.30		37,533,224.62		37,533,224.62	
Employee Provident Fund	14,963,426.50		12,133,292.52		12,133,292.52	
Employee Trust Fund	2,991,966.01		2,427,978.38		2,427,978.38	
PAYE Tax	2,324,857.76		2,967,595.83		2,967,595.83	
Bonus	3,543,736.03		3,685,959.32		3,685,959.32	
Welfare Expenses	8,993,452.88		11,191,509.98		11,191,509.98	
Gratuity	1,767,642.50		1,781,080.00		1,781,080.00	
Over time and Holiday Payment	3,361,126.12		3,959,225.22		3,959,225.22	
Staff Cost on Loan Benefits - (IFRS Adjustments)	4,109,609.00		2,916,896.00		-	
<b>(7) MEETINGS, SEMINARS AND WORKSHOPS</b>	<b>26,794,066.10</b>		<b>18,970,807.98</b>		<b>18,970,807.98</b>	
Workshop and Seminar Expenses						
Local	6,384,027.94		2,781,417.45		2,781,417.45	
Foreign	20,410,038.16		16,189,390.53		16,189,390.53	
<b>(8) TRAINING EXPENSES</b>	<b>20,106,117.69</b>		<b>22,380,262.52</b>		<b>22,380,262.52</b>	
Training Expenses						
Local	2,955,351.00		968,788.48		968,788.48	
Foreign	16,914,549.50		20,172,546.78		20,172,546.78	
Civil Aviation Training Academy Expenses	236,217.19		1,238,927.26		1,238,927.26	
<b>(9) ADMINISTRATION AND OTHER EXPENSES</b>	<b>148,764,416.90</b>		<b>120,735,518.27</b>		<b>120,735,518.27</b>	
Board Payments	1,556,250.00		617,500.00		617,500.00	
Stationery and Consumable Expenses	5,006,745.34		4,757,560.74		4,757,560.74	
Other Supplies	501,358.59		650,560.18		650,560.18	
Telecommunication	4,260,690.86		3,889,075.73		3,889,075.73	



## NOTES TO THE FINANCIAL STATEMENTS Cont...

	SLFRS 31.12.2012		SLFRS 31.12.2011		SLAS 31.12.2011	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
Postal Charges	216,215.23		157,056.22		157,056.22	
Subscription, Contributions to Local/ International Organizations	16,280,565.63		15,486,426.19		15,486,426.19	
Examination Fee	216,308.43		579,209.57		579,209.57	
Printing Expenses	2,201,553.24		1,362,503.46		1,362,503.46	
Airfare and Ticketing Course Expenses	361,031.89		380,268.09		380,268.09	
Indoor and Outdoor Meeting Expenses	1,190,651.48		1,217,637.80		1,217,637.80	
Translation and Typing Expenses	106,991.11		-		-	
Maintenance of Property, Plant and Equipment	1,160,536.65		1,401,512.36		1,401,512.36	
Fuel	7,595,356.24		4,791,129.40		4,791,129.40	
Vehicle Maintenance	6,904,174.63		4,811,114.27		4,811,114.27	
Rent and Hire Charges	1,055,532.26		1,462,288.08		1,462,288.08	
Expenses for Office Building and Quarters	47,657,085.98		55,116,397.34		55,116,397.34	
NBT	569,702.00		595,128.00		595,128.00	
Dayata Kirula Exhibition	6,309,271.99		5,473,873.16		5,473,873.16	
Aviation Development	4,583,246.91		5,802,932.19		5,802,932.19	
IT Development	273,558.85		6,986,497.51		6,986,497.51	
Donations	350,000.00		-		-	
Aviation Celebration	11,385,293.44		-		-	
Regulatory Development	27,752,849.25		-		-	
Miscellaneous Expenses	1,043,604.31		5,196,847.98		5,196,847.98	
Loss on Disposal of fixed assets	225,842.59		-		-	
<b>(10) TAXATION</b>	<b>94,722,505.91</b>		<b>199,054,612.09</b>		<b>197,292,954.44</b>	
Income Tax	173,092,484.43		197,292,954.44		197,292,954.44	
Previous Year Over Provision - Income Tax	(77,201,590.87)		-		-	
Deferred Tax	(1,168,387.65)		1,761,657.65		-	



NOTES TO THE FINANCIAL STATEMENTS Cont...

(11) PROPERTY, PLANT AND EQUIPMENT

	Balance as at 01/01/2012	Additions/ Transfers	Disposals	Balance as at 31/12/2012	Balance as at 31/12/2011
<b>Cost/Valuation</b>					
Land	5,359,200.00	-	-	5,359,200.00	5,359,200.00
Building	11,382,182.05	1,883,500.00	-	13,265,682.05	11,382,182.05
Vehicles	69,551,758.49	18,376,874.66	-	87,928,633.15	69,551,758.49
Plant and Machinery	50,831,115.44	2,861,002.28	(1,547,614.00)	52,144,503.72	50,831,115.44
IT Software	-	8,680,747.51	-	8,680,747.51	-
Furniture and Fittings	28,573,765.62	157,148.69	(2,314,296.01)	26,416,618.30	28,573,765.62
Other Fixed Assets	999,079.00	-	-	999,079.00	999,079.00
	<b>166,697,100.60</b>	<b>31,959,273.14</b>	<b>(3,861,910.01)</b>	<b>194,794,463.73</b>	<b>166,697,100.60</b>
<b>Depreciation</b>					
Building	5,594,057.74	751,854.13	-	6,345,911.87	5,594,057.74
Vehicles	18,940,155.35	10,314,192.61	-	29,254,347.96	18,940,155.35
Plant and Machinery	22,895,982.42	5,948,971.47	(1,346,211.25)	27,498,742.64	22,895,982.42
IT Software	-	3,835,088.51	-	3,835,088.51	-
Furniture and Fittings	8,218,390.58	5,650,812.34	(1,849,356.17)	12,019,846.75	8,218,390.58
Other Fixed Assets	949,036.00	-	-	949,036.00	949,036.00
	<b>56,597,622.09</b>	<b>26,500,919.06</b>	<b>(3,195,567.42)</b>	<b>79,902,973.73</b>	<b>56,597,622.09</b>
<b>Written Down Value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114,891,490.00</b>	<b>110,099,478.51</b>

## NOTES TO THE FINANCIAL STATEMENTS Cont...

	SLFRS 31.12.2012		SLFRS 31.12.2011		SLAS 31.12.2011	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
<b>(12) INVENTORIES</b>	<b>6,934,256.43</b>		<b>1,586,231.16</b>		<b>1,586,231.16</b>	
Consumable items	2,104,256.43		1,586,231.16		1,586,231.16	
Work in Progress	4,830,000.00		-		-	
<b>(13) TRADE RECEIVABLES AND STAFF LOAN</b>	<b>180,555,880.06</b>		<b>138,910,733.59</b>		<b>151,575,041.59</b>	
OSS & Regulatory Service Income Receivable	144,073,407.09		101,053,047.85		101,053,047.85	
Other Debtors	1,013,855.11		5,039,897.72		5,039,897.72	
Staff Loans	53,176,212.86		45,482,096.02		45,482,096.02	
Less: Deferred Staff Cost	(17,707,595.00)		(12,664,308.00)		-	
<b>(14) FINANCIAL ASSETS</b>	<b>543,528,106.43</b>		<b>502,513,280.00</b>		<b>502,513,280.00</b>	
Fixed Deposits	84,657,875.00		8,289,242.00		8,289,242.00	
Treasury Bills	458,870,231.43		494,224,038.00		494,224,038.00	
<b>(15) ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>	<b>136,448,863.07</b>		<b>124,274,758.74</b>		<b>111,610,450.74</b>	
Advances	4,357,584.24		2,675,560.86		2,675,560.86	
Prepayments	46,378,640.19		41,546,415.51		41,546,415.51	
VAT Receivable	32,688,455.07		31,692,486.18		31,692,486.18	
Interest Income Receivable	35,316,588.57		35,695,988.19		35,695,988.19	
Prepaid Staff Cost	17,707,595.00		12,664,308.00		-	
<b>(16) CASH AND CASH EQUIVALENTS</b>	<b>220,447,275.51</b>		<b>208,877,789.26</b>		<b>208,877,789.26</b>	
Cash at Bank	40,447,275.51		61,877,789.26		61,877,789.26	
Short term investments	180,000,000.00		147,000,000.00		147,000,000.00	
<b>(17) GRANTS RECEIVED</b>	<b>8,562,380.05</b>		<b>9,168,434.05</b>		<b>9,168,434.05</b>	
Land	5,359,200.00		5,359,200.00		5,359,200.00	
Buildings	3,620,539.95		4,226,593.95		4,226,593.95	
Other Fixed Assets	188,694.10		188,694.10		188,694.10	
Total	9,168,434.05		9,774,488.05		9,774,488.05	
Amortization for the year	(606,054.00)		(606,054.00)		(606,054.00)	
Balance as at 31/12/2012	8,562,380.05		9,168,434.05		9,168,434.05	
<b>(18) REVALUATION SURPLUS</b>	<b>13,485,465.44</b>		<b>13,485,465.44</b>		<b>13,485,465.44</b>	
Vehicles	4,720,625.00		4,720,625.00		4,720,625.00	
Plant, Machinery and Equipment	3,855,992.93		3,855,992.93		3,855,992.93	
Furniture and Fittings	4,908,847.51		4,908,847.51		4,908,847.51	

## NOTES TO THE FINANCIAL STATEMENTS Cont...

	SLFRS 31.12.2012		SLFRS 31.12.2011		SLAS 31.12.2011	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
<b>(19) DEFERRED TAX LIABILITIES</b>	<b>4,762,194.44</b>		<b>5,930,582.09</b>			-
Balance 1st January 2012	5,930,582.09		4,168,924.44			-
Reversal for the year	(1,168,387.65)		1,761,657.65			-
Balance as at 31st December 2012						
<b>(20) PROVISIONS AND OTHER LIABILITIES</b>	<b>259,676,305.00</b>		<b>259,413,871.00</b>		<b>259,413,871.00</b>	
Provision for Insurance	630,300.00		562,850.00		562,850.00	
Staff welfare fund	418,005.00		361,021.00		361,021.00	
Provision for Accident Investigation Fund	250,000,000.00		250,000,000.00		250,000,000.00	
Deposits Received	8,628,000.00		8,490,000.00		8,490,000.00	
<b>(21) RETIREMENT BENEFITS OBLIGATION</b>	<b>10,270,927.50</b>		<b>9,239,870.00</b>		<b>9,239,870.00</b>	
Balance 1st January 2012	9,239,870.00		7,848,950.00		7,848,950.00	
Provision for the year	1,767,642.50		1,781,080.00		1,781,080.00	
Paid during the year	(736,585.00)		(390,160.00)		(390,160.00)	
<b>(22) TRADE PAYABLES</b>	<b>282,872,312.57</b>		<b>254,868,404.05</b>		<b>254,868,404.05</b>	
Deposit Inspection Charges and Operation	8,418,271.41		8,853,968.31		8,853,968.31	
Payable to Airport Aviation Authority and Government Treasury	270,521,941.16		246,014,435.74		246,014,435.74	
Other Creditors	3,932,100.00		-		-	
<b>(23) OTHER PAYABLES</b>	<b>43,274,312.31</b>		<b>8,513,660.64</b>		<b>8,513,660.64</b>	
Accrued Expenses						
- Staff Expenses	4,070,880.75		3,744,960.52		3,744,960.52	
- General Expenses	39,203,431.56		4,768,700.12		4,768,700.12	
<b>(24) INCOME TAX LIABILITIES</b>	<b>90,600,765.82</b>		<b>106,159,937.71</b>		<b>106,159,937.71</b>	
Balance as at 1st January 2012	106,159,937.71		73,184,496.45		73,184,496.45	
Provision for the year	95,890,893.56		197,292,954.44		197,292,954.44	
Paid during the year	(111,450,065.45)		(164,317,513.18)		(164,317,513.18)	
Balance as at 31st December 2012						
<b>(25) PRIOR YEAR ADJUSTMENT</b>						
Composition of the prior year adjustment is as follows.						
Tax Paid (25.1)	110,632,274.00					
Expenses Capitalized (25.2)	6,986,497.51					

**(25.1)** This represents the amount paid to the Department of Inland Revenue as per the section 62C of the Inland Revenue Act, in respect of the 2009 and 2010 Financial Years.

## NOTES TO THE FINANCIAL STATEMENTS Cont...

(25.2) Capital Expenditure incurred amounting to Rs.6 Mn on account of computer software purchased in 2011 had been expensed in 2011 financial statements of the Authority. This error was rectified during the current financial year.

(26) This represent the appropriation of net surplus revenue of Civil Aviation Authority, as specified in the section 10(5) of the Finance Act No. 38 of 1971.

### (26) IFRS ADJUSTMENTS

Retained Profit as per SLAS Balance Sheet 01.01.2011	634,152,304.21
IFRS Adjustments in 2010 (Deferred Tax) (3)	(4,168,924.44)
Retained Profit as per SLFRS Balance Sheet 01.01.2011	629,983,379.77
Profit for the year	29,843,114.95
Prior Year Adjustments	9,855,551.66
Appropriation of net surplus	(250,000,000.00)
Retained Profit as per SLFRS Balance Sheet 01.01.2012	419,482,046.38
Profit for the year	523,464,938.48
Prior Year Adjustments	(103,645,776.49)
Appropriation of net surplus	(350,000,000.00)
Retained Profit as per SLFRS Balance Sheet 31.12.2012	489,301,208.57

## NOTES TO THE FINANCIAL STATEMENTS Cont...

### (26) I Opening Balance Sheet as at 1st January 2011

	Note	SLFRS 01.01.2011		Adjustments		SLAS 01.01.2011	
		Rs.	Cts.	Rs.	Cts	Rs.	Cts
<b>ASSETS</b>		<b>1,068,151,620.35</b>				<b>1,068,151,620.35</b>	
<b>Non-Current Assets</b>		50,449,662.26				50,449,662.26	
Property, Plant & Equipment		50,449,662.26				50,449,662.26	
<b>Current Assets</b>		<b>1,017,701,958.09</b>				<b>1,017,701,958.09</b>	
Inventories		1,193,297.32				1,193,297.32	
Trade Receivables and Staff Loans	(1.1)	98,156,065.13		(7,314,918.00)		105,470,983.13	
Current Investments		685,742,459.97				685,742,459.97	
Advances, Prepayments and Other Receivables	(1.2)	63,415,448.87		7,314,918.00		56,100,530.87	
Cash and Cash Equivalents		169,194,686.80				169,194,686.80	
<b>EQUITY AND LIABILITIES</b>		<b>1,068,151,620.35</b>				<b>1,068,151,620.35</b>	
<b>Capital and Reserves</b>		<b>653,409,869.73</b>				<b>657,578,794.17</b>	
Government Grants		9,774,488.05				9,774,488.05	
Revaluation Surplus		13,652,001.91				13,652,001.91	
Accumulated Profit	(2)	629,983,379.77		(4,168,924.44)		634,152,304.21	
<b>Non-Current Liabilities</b>		<b>67,086,659.44</b>				<b>62,917,735.00</b>	
Provisions and Other Liabilities		55,068,785.00				55,068,785.00	
Retirement Benefits Obligation		7,848,950.00				7,848,950.00	
Differed Tax Liability	(3)	4,168,924.44		4,168,924.44			-
<b>Current Liabilities</b>		<b>347,655,091.18</b>				<b>347,655,091.18</b>	
Trade Payables		268,312,766.87				268,312,766.87	
Other Payables		6,157,827.86				6,157,827.86	
Income Tax Liabilities		73,184,496.45				73,184,496.45	

### Statement of Reconciliation of Change of Equity

Accumulated profit as at 1st January 2011	634,152,304.21
Less : Deferred Tax	(4,168,924.44)
Retained profit after working the IFRS adjustment as at 01.01.2011	629,983,379.77

### (26) II The following IFRS adjustments were made for the year ended 31st December 2011.

#### (a) Staff Loans

Staff Loans outstanding as at 31st December 2011 were measured at amortized cost and as a result deferred staff cost balance and IFRS adjustments account balance increased to reflect the resulting adjustment as at 31st December 2011.

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Staff benefit given on account of staff loans given at concessionary rates was valued at Rs. 2,916,896 and charged as staff cost during 2011. Further same amount was recognized as other income - IFRS Adjustment, in 2011 financial statements of the authority.

**(a) Deferred Tax**

Deferred Tax was computed for 2011. It was noted that there is a reversal of deferred tax liability amounting to Rs.1, 761,657.65 for the year 2011.

## AUDITOR GENERAL'S REPORT

My No:TC/B/CAASL/FA/2012

17 February 2014

The Chairman,  
Civil Aviation Authority of Sri Lanka

**Report of the Auditor General on the Financial Statements of the Civil Aviation Authority of Sri Lanka for the year ended 31 December 2012 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971**

The audit of financial statements of the Civil Aviation Authority of Sri Lanka for the year ended 31 December 2012 comprising the statement of financial position as at 31 December 2012 and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 14(4) of Civil Aviation Authority of Sri Lanka Act, No.34 of 2002. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was furnished to the Chairman of the Authority on 22 November 2013.

### **1.2 Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor's Responsibility**

My responsibility is to express an opinion based on my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.



## **1.4 Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2. Financial Statements**

### **2.1 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Civil Aviation Authority of Sri Lanka as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **2.2 Comments on Financial Statements**

#### **2.2.1 Sri Lanka Accounting Standards**

According to paragraph 24 of Sri Lanka Financial Statements Reporting Standard No.1, the impact resulting in the conversion of the equity prepared in terms of Sri Lanka Accounting Standards in the preceding year to the new Sri Lanka Accounting Standards should be reconciled and a statement of reconciliation should be furnished. But such reconciliation statement had not been furnished.

#### **2.2 Unexplained Differences**

An unexplained difference of Rs.175,742 existed between the amount of loans granted to officers according to the Register of Loans and the financial statements presented.

#### **2.2.3 Lack of Evidence for Audit**

The evidence indicated against each item shown below had not been presented for audit.

<u>Item</u>	<u>Value</u>	<u>Evidence not made available</u>
	Rs.	
Debtors	259,470,945	Confirmation of Balances and Age Analysis
Creditors	322,075,745	Confirmation of Balances and Age Analysis
Prior year Adjustments	103,646,766	Detailed Schedules and Supporting Documents

#### **2.2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions**

The following non-compliances were observed.

	Reference to Laws, Rules, Regulations and Management Decisions.	Non-compliance
<b>(a)</b>	<b>Parliamentary Acts</b>	
	(i) Finance Act, No.38 of 1971 Section 10(5)	Even though the surplus income after the appropriations should be credited to the Consolidated Fund, the accumulated profits from the year 2003 to the year 2012 amounting to Rs.489,967,146 had not been formally credited to the Consolidated Fund.
	(ii) Inland Revenue Act, No.38 of 2000 Section III (a)	Even though the Pay As You Earn Tax on the Salaries and other earnings of the officers of Civil Aviation Authority should be paid from their personal salaries, the Pay As You Earn Tax totalling Rs.14,241,598 in respect of the 06 years from the year 2007 to the year 2012 had been paid from the fund of the Authority
<b>(b)</b>	<b>Public Administration Circulars</b>	
	(i) Circular No. 26/92 of 19 August 1992	Even though the State Emblem and the name of the institution should be painted on all motor vehicles except the official motor vehicles allocated to the officers, it had not been done in respect of 04 motor vehicles.
	(ii) Circular No. 14/2008 of 26 June 2008	<p>(i) Contrary to the Circular, the officers not entitled to official motor vehicles had been paid Rs.20,000 per month and the other officers including the office aides had been paid Rs.13,250 per month as a monthly travelling allowance. The amounts so paid contrary to the circular in the preceding year and the year under review amounted to Rs.20,967,837 and Rs.28,348,259 respectively.</p> <p>(ii) Fuel allowance totalling Rs.2,217,120 comprising Rs.500,640 at the rate of Rs.20,860 per month to two officers who are not entitled to official motor vehicles and Rs.1,716,480 at the rate of Rs.17,880 for 08 other officers had been paid contrary to the circular instructions.</p>
<b>(c)</b>	<b>Government Procurement Guidelines</b> Guideline1.14.1	According to the Government Procurement Guidelines, any transactions exceeding Rs.50 million should have the approval obtained from the Ministry Procurement Committee. But it had not been so done in connection with the procurement of a building on rent for the Authority at a rental of Rs.106,021,080.

<b>(d)</b>	<b>Public Enterprises Circulars</b>	
	(i) Circular No.95 of 14 June 1994	<p>(i) Professional allowance at the rates from Rs.10,000 to Rs.25,000 to 05 officers and a special allowance at the rates from Rs.750 to Rs.5,000 to 04 other officers had been paid monthly contrary to the Circular and without obtaining formal approval. The total allowance paid in the year under review amounted to Rs.1,912,880.</p> <p>(ii) The acting allowance of Rs.17,625 paid to the Senior Director for acting in the post of the Director General formerly had been paid to him by adding to his salary as a special allowance even after he was released from the acting post with effect from May 2010. The total allowance paid from May 2010 to the end of the year under review amounted to Rs.528,750.</p>
	(ii) Circular No.PED/12 of 02 June 2003 Section 9.12	A contribution of Rs.5,494,638 had been paid contrary to the provisions in the Circular in the year under review for obtaining full insurance cover on hospital and surgical expenses for the employees and all members of their families. The annual insurance premium per employee ranged between Rs.38,400 to Rs.60,600.
	(iii) Circular No.PED/39 of 09 October 2006	<p>(i) Disregarding the fuel allowances approved by the Circular, unlimited fuel had been supplied to 04 Senior Officers of the Authority. The value of excess fuel supplied amounted to Rs.1,598,004.</p> <p>(ii) Contrary to the above circular, the Director General had used another motor vehicle for his private purposes in addition to the motor vehicle allocated to him. A sum of Rs.464,850 had been spent in the year under review on fuel for that motor vehicle.</p>
<b>(e)</b>	<b>Management Services Circulars</b>	
	Circular No.49 of 24 December 2012	According to the Circular, a maximum of Rs.10,000 can be paid as a bonus by the Statutory Boards. Contrary to that a sum equivalent to the salary of one month had been paid as bonus during the year under review. Accordingly, the Director General had obtained a sum of Rs.79,750 as the bonus. Nevertheless, the total bonus paid contrary to the Circular amounted to Rs.3,543,736.

(f)	<b>Treasury Circulars</b> Treasury Circular No.1A1/2002/02 of 28 November 2002	Even though a separate Register of Computers and Accessories should be maintained, it had not been so done.
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### 3. Financial and Operating Review

#### 3.1 Financial Review

According to the financial statements presented the operations of the Authority for the year under review had resulted in a pre - tax profit of Rs.618,187,444 as compared with the pre-tax profit of Rs.228,897,727 for the preceding year, thus indicating a favourable variance of Rs.389,289,717 in the financial results. The increase of operating income and the income from the supply of services had been the main reason for the improvement of the financial result for the year under review.

#### 3.2 Analytical Financial Review

Even though the overall income for the year under review as compared with the preceding year had increased by 32.40 per cent due to the increase of the foreign sales surcharge income resulting from the increase of airline passenger movements and the expenditure on staff expense, the expenses on foreign conferences, training and workshops, administrative expenses and the other expenses had increased by 16.57 per cent, the overall expenditure for the year had decreased by 28.43 per cent as no provision had been made in the year under review to the Accident Investigation Fund as compared with the preceding year.

Accordingly the pre-tax operating profit for the year under review, as compared with the preceding year, had increased by 170.07 per cent.

### 4. Operating Review

#### 4.1 Performance

According to the information made available to audit an analysis of the progress of the major operating activities as compared with the two preceding years is given below.

Item	Particulars	2012	2011	2010
(a) Aircraft Movements	(i) Charter Flight Hours	1,782	1,782	1,317
	(ii) Regular Air Transport Flight Hours	46,616	41,891	32,590
(b) Completed Audits (Number)	(i) Airworthiness	--	01	--
	(ii) Operations	--	--	01
	(iii) Combined (Operations and Airworthiness)	--	--	--
	(iv) Air Navigation Services	01	01	--
	(v) Aerodrome	--	--	--

(c) Safety, Protection and Supervision Activities Carried out (Number)	(i) Number of Ramp Inspections (Airworthiness)	--	65	30
	(ii) Number of Ramp Inspections (Combined)	--	--	--
	(iii) Aerodrome	--	20	09
	(iv) Dangerous Goods	--	35	08
	(v) Flying Schools Inspections (Airworthiness)	--	--	--

Even though the particulars relating to the accidents caused in the air operations and the reports made thereon, investigations, files and the courses of action, guidance given and orders made by the Authority for the minimization of such incidents were called for by the audit, none of the particulars had been furnished to audit. As such an extensive analysis of the operating performance of the Authority could not be done.

The information on the investigations and data relating to the investigations of aircraft accidents and incidents in terms of provisions in Sections 57 and 61 of the Civil Aviation Services Act, No.14 of 2010 and the Annex 19 of the International Civil Aviation Services Act enforced in terms of Section 2 of that Act were called for audit. The Director General informed me that the use of the information for purposes outside the activities under the Act has been debarred by law and the request had been forwarded to the Secretary to the Ministry for advice.

#### 4.2 Non-revision of Fees for Services provided by the Civil Aviation Authority

The fees charged for the various services provided by the Authority such as the issue of Aircraft Pilots Licenses and approval for high rise buildings had not been revised during the 7 preceding years. The last revision of the fees had been done in the year 2006.

The particulars of the fees and the issue and renewal of licenses are given below.

##### (a) Fees Recovered

Category of Licence	Primary Licence Fee	Evaluation Fee	Renewal Fee	Evaluation of Renewal
	Rs.	Rs.	Rs.	Rs.
Pilot - Cadet	690	500	345	250
Pilot - Private	1,380	500	690	250
Pilot - Commercial	4,140	1,500	1,035	750
Pilot – Air Transport	6,900	2,000	1,725	1,000
Air Signal Control	1,380	500	345	750
Aircraft Operating Engineer	2,070	1,500	--	--

## **(b) Issue and Renewal of Licenses**

Category of Licence	2012 Number	2011 Number	2010 Number
Pilot - Cadet	155	115	142
Pilot - Private	94	98	76
Pilot - Commercial	264	317	300
Pilot – Air Transport	414	382	359
Air Signal Control	44	81	91
Aircraft Operating Engineer	113	173	283

## **4.3 Management Inefficiencies**

The following observations are made.

- (a) The Authority had spent a sum exceeding Rs.3.5 million for carrying out alterations to a building taken on rent and not owned by the Authority. Attention had not been paid for the set off of that amount against the rent of the building.
- (b) A condition unfavourable to the Authority had been included in the rent agreement for the building obtained on rent for the Authority that the annual increase in the rates should be borne by the the Fund of the Authority.
- (c) A sum of Rs.28,214,123 had been spent out of the Fund of the Authority for the construction of stores rooms and drivers rest room and installation of entrance doors in the first and third floors of the building procured on rent for a short period of 03 years.
- (d) Even though 525 ties valued at Rs.249,375 at Rs.475 per tie had been purchased in the year 2011 for the Aviation Services Inspectors, the ties had not been issued as those did not conform to the specified standard and had been kept in the stores even by the end of the year.
- (e) A sum of Rs.11,000 had been paid from the Fund of the Authority for the printing of Visiting Cards for an external person not included in the staff of the Authority.
- (f) The Centenary Celebration of Aviation Services in Sri Lanka which fell in the year 2011 had not been held in that year. But the celebrations had been held in the year 2012 at a cost of Rs.14,000,000 without the participation of the Line Ministry and other parallel institution.
- (g) According to the Scheme of Recruitment to the post of Deputy Director of Civil Aviation (Aircraft) and the post of Deputy Director (Air Navigation) the possession of the Air Traffic Control License is compulsory and the 04 officers recruited on that qualification had been paid a monthly professional allowance of Rs.25,000. Nevertheless, the annually renewable licences had not been renewed over a number of years. Similarly two former officers had been paid a professional allowance at a monthly rate of Rs.75,000 for the possession of the Air Transport Pilot Licence.
- (h) The Authority had spent a sum of Rs.426,200 for providing insurance cover for hospital and Surgical expenses to 5 members of the Board of Directors of the Authority and 02 officers recruited on the piece rate basis and all members of their families.
- (i) An officer recruited to the Ministerial staff had been appointed to the permanent staff of the Authority while in active service in the former post and had been paid a sum of Rs.3,051,897 in

the preceding year and the year under review as salaries, fuel allowance, medical insurance and foreign travel. Nevertheless, the officer had not reported for duty at the Authority even on a single day.

- (j) The Authority established solely for the regulation of air services had appointed a Marketing Promotion Officer for a post of Marketing Promotion and had been paid a sum of Rs.240,000 at the rate of Rs.80,000 per month. Nevertheless, the officer had not reported for duty even on a single day and had not performed any services. The approval of the Department of Management Services had not been obtained for the appointment.
- (k) A Citizen of Canada who is not a Citizen of Sri Lanka servicing in the Civil Aviation Authority of Canada visiting Sri Lanka on a tourist visa had been appointed as a Consultant without following the Scheme of Recruitment for Airworthiness Consultant and without obtaining the approval of the Cabinet of Ministers. Even though he had informed the withdrawal from the agreement on the following day itself, the Authority had paid a sum of Rs.177,250 for one month.
- (l) The Authority had paid a sum of Rs.78,000 from its Fund to 06 female officers of the Authority for obtaining Driving Licences.

#### **4.4 Resources of the Authority given to other Government Institutions**

Contrary to Section 3.8.9 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the Authority had spent a sum of Rs.290,084 in connection with sundry expenses of the Ministry while 05 motor vehicles of the Authority had been released for use by the Ministry. The Authority had spent a sum of Rs.1,225,657 in the year under review on fuel for those motor vehicles.

#### **4.5 Staff Administration**

The position of the approved and the actual staff of the Authority as at 31 December 2012 had been as follows.

Category of Staff	Approved Staff	Actual Staff	Number of Vacancies
Director General/ Chief Executive Officer	01	01	--
Senior Executive Officer	34	23	11
Executive Officer	42	35	07
Working Officer	55	54	01
Office Aides	34	33	01
Total	166	146	20

### **5. Accountability and Good Governance**

#### **5.1 Budgetary Control**

Significant variances ranging from 142 per cent to 186 per cent were observed between the estimated and the actual income and expenditure for the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

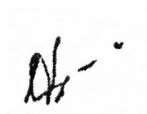


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## 6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of systems and control.

- (a) Accounting
- (b) Collection of Income
- (c) Investigation of Aircraft Incidents
- (d) Budgetary Control
- (e) Expenditure Control
- (f) Contract Administration
- (g) Human Resources Management



H.A.S Samaraweera

Auditor General

## **THE REPLY OF THE CIVIL AVIATION AUTHORITY TO THE AUDITOR GENERAL'S REPORT**

FN/12/ 4

13.03.2014

Auditor General,  
Auditor General's Department,  
Battaramulla.

### **Report of the Auditor General in terms of Section 14(2) (c) of the Finance Act No.38 of 1971 regarding the Financial Statements for the Year ended on 31st December 2012 of the Sri Lanka Civil Aviation Authority.**

We would like to submit our opinions and clarifications regarding your observations made in the above report.

## **2.2 Comments on the Financial Statements.**

### **2.2.1 Sri Lanka Accounting Standards.**

Your observation is admitted with thanks.

The services of a Chartered Accountant was out sourced in the preparation of accounts as per the new Accounting Standards for the year 2012 and your observation was forwarded to him and the revised Financial statements with the inclusion of the relevant note have been submitted again.

### **2.2.2 Differences that have not been clarified.**

Your observation has been thankfully admitted. This difference had been identified and respective adjustment had been made in the preparation of final accounts in the year 2013.

### **2.2.3 Lack of evidence for the Audit.**

All the debtors and creditors were notified in writing (enclosing an envelope with the address) to submit the letters of substantiating the balances directly to 'Assistant Superintendent of Audit'. Detailed schedules in relation to the adjustments of the year prior to the relevant financial year have not been requested.

### **2.2.4. Non Compliance with laws, rules, regulations and management decisions.**

#### **(a) Parliamentary Acts.**

- (i)** Financial provision required for the conduct and maintenance of the functions and duties of the Sri Lanka Civil Aviation Authority are not provided for in the annual national budgetary allocations. The required money has to be generated through its own activities. Likely, in terms of the Section 07 of the Finance Act No. 38 of 1971, the Board of Directors of the Authority are bound to substantiate that the Authority is in the possession of the minimum amount of provision required for the performance and maintenance of its functions and duties for the period of next five years.

Further, the required approval of the General Treasury had been granted for the commencement of projects for the development of major infrastructure facilities such as the construction of the main building of the Authority, construction of the Office at Mattala and the construction of the official residence at Weerawila as indicated in the Business Plan sent to the General Treasury subsequent to granting the approval by the Board of Directors of the Authority and the General Treasury had further informed that the Capital required for the conduct of such activities has to be provided for by the Authority itself. Since the activities of the aforesaid projects have already been initiated, additional money has been retained by the Authority to make due payments promptly for such activities as per the relevant agreements.

The estimated expenditure required for the construction of only the Head Office of the Authority is about Rs. 1080 million and further, it has been estimated that a considerable amount of money has to be incurred in the procurement of furniture and equipment required at the Head Office. The estimated total amount required for the completion of the progressive residual construction work of the aforesaid projects is Rs. 1200 million. Accordingly, as per the Section 10(2) of the Finance Act No. 38 of 1971, the additional money of the Authority has been formally allocated by a decision of the Board of Directors for spending such money in the activities of the above projects and arrangements have been made to obtain the necessary approvals from the Minister in charge of the subject and the Minister of Finance. Further, the responsibility entrusted upon the Authority regarding the payment of taxes is duly fulfilled and the amount of money obtained from the monetary balance of the Authority had been remitted to the General Treasury during the previous years as indicated below.

2011 Rs. 250 million

2012 Rs. 350 million

2013 Rs. 200 million

Accordingly, the Authority has not retained any additional money unnecessarily rather than retaining money required for the above capital expenditure and money required to meet day to day cash requirements of the Authority.

- (ii) According to the Provisions of the Staff Laws and Code of Administrative Procedures (SLCAP 5000) of the Civil Aviation Authority which have been approved by the Cabinet of Ministers, the Authority bears the expenses of PAYE tax that have to be paid by the employees.

Further, as per the instructions issued by the Parliamentary Committee on Public Enterprises held on 12.11.2012, the Staff Laws and Code of Administrative Procedures (SLCAP 5000) of the Civil Aviation Authority was forwarded again for the approval of the Cabinet of Ministers and a Committee presided by the Ministry of Finance was appointed by the Cabinet of Ministers to examine and to submit a report on that matter. The Ministry of Finance has decided that action can further be taken according to the provisions of the Staff Laws and Code of Administrative Procedures (SLCAP 5000) which is effective at present until the report of the Committee is presented and a decision is taken.

**(b) Public Administration Circulars**

- (i) Since the vehicles of the Authority are not adequate for the performance of day to day

duties, the vehicles which are being used by the Officers entitled to use vehicles have to be used during the office hours for the fulfilment of other requirements of the Authority. Accordingly, the emblem of the Authority has not been marked on the vehicles which are used by the Officers entitled to use vehicles.

- (ii)(i) This payment had been made as per the provisions of the Staff Laws and Code of Administrative Procedures (SLCAP 5000) of the Sri Lanka Civil Aviation Authority which had been approved by the Cabinet of Ministers.

Further, as per the instructions issued by the Parliamentary Committee on Public Enterprises held on 12.11.2012, the Staff Laws and Code of Administrative Procedures (SLCAP 5000) of the Civil Aviation Authority was forwarded again for the approval of the Cabinet of Ministers and a Committee presided by the Ministry of Finance was appointed by the Cabinet of Ministers to examine and to submit a report on that matter. The Ministry of Finance has decided that action can further be taken according to the provisions of the Staff Laws and Code of Administrative Procedures (SLCAP 5000) which is effective at present until the report of the Committee is presented and a decision is taken.

- (ii) Answer (i) above is applicable.

- (c) In purchasing the building leasehold, quotations had been invited regarding the amount to be charged per feet per year. Accordingly, the Departmental Procurement Committee had approved the rental per one year on the recommendation of the Technical Evaluation Committee (T.E.C.) and the rental amounting to Rs. 34.48 million was within the limit that could be approved by the Departmental Procurement Committee.

However, at the time of entering into the agreement for handing over the building, the owner of the building had informed that it was necessary to enter into the agreement at least for three years, if it was required for us to keep the prices unchanged and the Authority had to do so due to the prevailing circumstances. However, the full payment of money had not been made at once and the taxes had been paid annually.

We agree with your observation and action has been taken to refer this matter to the Ministerial Procurement Committee for necessary reviewing and for taking appropriate decisions.

**(d) Public Enterprise Circulars**

- (i) (i) This payment had been made as per the provisions of the Staff Laws and Code of Administrative Procedures (SLCAP 5000) of the Sri Lanka Civil Aviation Authority which had been approved by the Cabinet of Ministers.

Further, as per the instructions issued by the Parliamentary Committee on Public Enterprises held on 12.11.2012, the Staff Laws and Code of Administrative Procedures (SLCAP 5000) of the Civil Aviation Authority was forwarded again for the approval of the Cabinet of Ministers and a Committee presided by the Ministry of Finance was appointed by the Cabinet of Ministers to examine and to submit a report on that matter. The Ministry of Finance has decided that action can further be taken according to the provisions of the Staff Laws and Code of Administrative Procedures (SLCAP 5000) which is effective at present until the report of the Committee is presented and a decision is taken.

- (ii) Since the responsibilities entrusted upon the capacity of the Director General are quantitatively very high, a Post of a Senior Director had been created and the relevant

allowances had been determined and paid accordingly by the Board of Directors under the Provisions of the Civil Aviation Authority Act, as it is necessary to have an Officer with the necessary proficiency for providing assistance in the performance of duties and for making the supervision of work easier and for the evaluation of the competency of the service and the technical expertise of the Senior Director. It is very essential to have such a post for the maintenance of the functions of the Authority continuously.

Further, the issue was highlighted at a discussion held among the National Salary Commission and the Department of Management Services and they unanimously admitted the necessity of such a Post and it had been decided to include such a post with an appropriate salary scale in the restructured institutional structure and the cadre which had already been approved.

- (iii) The insurance cover had been approved by the Board of Directors as per the provisions of the Staff Laws and Code of Administrative Procedures (SLCAP 5000) of the Sri Lanka Civil Aviation Authority which had been approved by the Cabinet of Ministers and payments had been made accordingly.
- (iv)(i) A preliminary query mentioning the relevant time periods had not been received in this connection. Therefore, it is difficult to express our views regarding the amount indicated therein, since it is not possible to get a clear idea regarding the issues which had given rise to your observation at the audit.

However, until this moment, an allocation of official vehicles or allocation of fuel for the aforesaid official vehicles or provision of an allowance for fuel have not been made available for any officer except for the Chairman of the Authority. Such official vehicles included in the pool of vehicles of the Authority had not only been used for travelling of such officers but also they had constantly made available for the common duties of the Authority. Therefore, the total expenses mentioned by you had not been incurred only for such officers.

These Vehicles have been used for official duties of the Director General from time to time as per the availability of drivers and vehicles to be employed in duties selected from the pool of vehicles at each occasion.

An allocation of fuel or fuel allowance or transport allowance or any type of an allowance had not been provided to the Director General in addition to his Monthly Salary.

Further, the amount mentioned by you had not been used only for the Director General as these vehicles have frequently been used in the performance of the other common duties of the Authority as the pool of vehicles rather than using such vehicles only for travelling purposes of the Director General.

**(e) Management Services Circulars**

This payment had been made as per the provisions of the Staff Laws and Code of Administrative Procedures (SLCAP 5000) of the Sri Lanka Civil Aviation Authority which had been approved by the Cabinet of Ministers.

Further, as per the instructions issued by the Parliamentary Committee on Public Enterprises held on 12.11.2012, the Staff Laws and Code of Administrative Procedures (SLCAP 5000) of the Civil Aviation Authority was forwarded again for the approval of the Cabinet of Ministers and a Committee presided by the Ministry of Finance was appointed

by the Cabinet of Ministers to examine and to submit a report on that matter. The Ministry of Finance has decided that action can further be taken according to the provisions of the Staff Laws and Code of Administrative Procedures (SLCAP 5000) which is effective at present until the report of the Committee is presented and a decision is taken.

In terms of the Section 9.2 of the Staff Laws and Code of Administrative Procedures (SLCAP 5000) of the Authority, the bonus given to the officers of the Authority can be up to the basic salary of a month. Accordingly, it had been decided at the 91st meeting of the Board of Directors held on 13.12.2012, to pay a bonus equal to a monthly salary of each employee, to all the employees of the Authority. Thereby, every employee had been paid a bonus equal to the basic salary of the employee and the bonus paid to the Director General was equal to his basic salary and the amount complies with the policy of paying bonus. No irregularity had taken place as a result of such a payment of bonus.

**(f) General Treasury Circulars**

Your observation has been admitted thankfully.

Information on computers and accessories presented in a different model is being prepared as per the model indicated in this circular.

**03. Financial and Operating Review**

**3.1 Financial Review**

**3.2 Analytical Financial Review**

**04. Operating Review**

- 4.1.** All the books and other information required for the Audit including financial and accounts audit which are assigned to the Audit to be conducted in terms of the Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka and in terms of the Section 13(5) of the Finance Act No. 38 of 1971, had been promptly provided to the Audit Officers by the Authority.

However, the request made by the Superintendent of Audit in relation to the provision of information regarding investigations conducted on accidents and incidents of air crafts for the Audit had been forwarded to the Secretary to the Ministry for necessary instructions and the response of the Secretary to the Ministry had been forwarded to the Auditor General with a copy to the Authority since the utilization of such data and information for functions extraneous to functions stipulated in the Act are prohibited by law in terms of the Section 57 and 61 of the Civil Aviation Act No. 14 of 2010 and in terms of the standards stipulated in the annexure 19 of the International Civil Aviation Convention enforced by the Section 2 of the Act which are in force relating to the information on investigations conducted on air craft accidents.

However, operating data and statistics in relation to all the functions of the year under review had been promptly provided to the audit officers at their request.

Further, updated information on the performance of the Authority has been sent to you in the annexure 1 as such information had not been included in your report.



- 4.2** Gazette notifications are being prepared in order to revise service charges from the year 2014.

**4.3 Management Inefficiencies**

- (a) As the former lessor, the Ministry of Tourism had informed that it had been decided to establish the Ministry of Economic Development in 'Supreme Building' in which the Sri Lanka Civil Aviation Authority was formerly functioning and as a result, the Authority had to find another place immediately. The owner of the Jinasena Building agreed to lease the building in its prevailing condition and he did not agree to make required alterations incurring any expenses. Due to the inability of finding another appropriate building within the City limits of Colombo within the given time period and due to a space which could be used to park a large number of vehicles within the building premises was provided by the less or free of charge, the Authority had decided to lease this building subsequent to taking the written approval of the Secretary to the Ministry of Finance for rental charges.

Please be kindly informed that the institutional surroundings had to be developed since the owner of the Jinasena building which had been taken on lease had not agreed to incur any additional cost on that building and due to the inability of finding any other building that could be used to be used in the long run as an option to the Jinasena building and due to the strong requirement of the Authority for creating a favourable environment inside the leasehold building that was appropriate not only for the accomplishment of the functions, duties and responsibilities of the Authority but also to protect the national Identity, pride and image of the institution before foreigners who frequently attend the Authority.

- (b) Even though discussions were made at the time of renewing the lease agreement, in order to get rid of the matters that were mentioned in your observation as disadvantageous to the Authority, the owner of the building did not agree with such revisions and he further informed that if such revisions are to be effected in the agreement, he also needs to have revisions in the rates of the rental.

We had to function in this way due to the difficulty in finding a building again at the rate of Rs. 100/= per square feet within the City of Colombo where a great commercial demand is existing for buildings and at the same time it would be a meaningless process of wasting time, labour and money unnecessarily in shifting to another leasehold building when arrangements have already been made to construct a building for the Head Office within two years, fairly a shorter period of time.

- (c) The response 4.3(a) above is applicable.

We had to adopt this procedure for making the necessary allocations for arranging an appropriate office environment and to provide for the associated activities in order to accomplish the functions of the Authority.

- (d) A portion of these ties had been issued to Examiners of Civil Aviation for wearing at special official events and arrangements had been made to issue the rest of the ties to the other officers. Likewise, those ties will be issued as souvenirs to international and local representatives who participate in the Conferences organized by the Authority.

- (e) A prior query was not received on this matter and the Superintendent of Audit had just informed the name of the officer verbally over the telephone.

Mr. Prabath Kularatne – The Officer has been provided with visiting cards since the officer has to perform his duties with the coordination of local and international media personnel and media institutions according to the nature of the duties assigned to this Officer in the capacity of a Consultant (Civil Aviation promotions) in this institution.

- (f) According to the history that had been documented, an air craft had been landed to Sri Lanka from a ship on the 11th of September 1911. However, the evidence of the first successful flight over the Sri Lankan Air space had been reported on the 25th December 1912 and this day is considered as the commencement of the Civil Aviation in Sri Lanka.

It was the Minister in charge of the subject who had decided to organize a series of festivals under the patronage of the Sri Lankan government in order to mark the completion of 100 years in the field of Sri Lankan Aviation. Arrangements were made to organize the relevant activities as the Sri Lanka Civil Aviation Authority was instructed by the Hon. Minister.

- (g) In the establishment of the Sri Lanka Civil Aviation Authority, the proposal for the relevant institutional structure, Procedure of Recruitment as well as the proposed salary scales and relevant vocational allowances had been directed to the Department of Management Services through the letter of the Director General of Civil Aviation bearing No. AD/2/1/2 dated 11.06.2003. The Department of Management Services had responded the letter through their letter No. DMS/H/46/xxiii dated 19.08.2003 granting its approval and accordingly, the employees who had obtained the relevant licenses/ certificates had been paid the respective vocational allowances from the date of establishment of the Authority.

Further, in addition to the said approval, the payment of these vocational allowances had been stipulated in the Staff Laws and Code of Administrative Procedures (SLCAP 5000) of the Sri Lanka Civil Aviation Authority which had been approved by the Cabinet of Ministers.

- (f) Since all the employees of the Sri Lanka Civil Aviation Authority are entitled to the Medical Insurance Scheme as stipulated in the Staff Laws and Code of Administrative Procedures (SLCAP 5000) of the Sri Lanka Civil Aviation Authority which had been approved by the Cabinet of Ministers, the officers who had been recruited on contract basis were also offered this facility. Even though this facility was also granted to the members of the Board of Directors as per a decision taken by the Board of Directors, further offering of this facility to them had recently been stopped according to a decision taken by the Board of Directors.
- (g) It had been informed through the letter of the Hon. Minister of Civil Aviation dated 16th August 2011 that the Minister is in need of a Development Plans Coordinating Officer for the easy and formalized coordination of the functions of the Minister of Civil Aviation Services and Mr. B.M. Dayawansa had been appointed for that purpose and further, the Hon. Minister of Civil Aviation Services had informed to make necessary arrangements to execute this Order considering that it had been

made under the Section 31.1 of the Sri Lanka Civil Aviation Authority Act No.34. Accordingly, this appointment was effected on the approval of the Board of Directors of the Sri Lanka Civil Aviation Authority. From the establishment of the Authority, Ministers in charge of the subject from time to time had given such Orders to the Authority and there were pre-emptions that such Orders had been executed by the Authority.

Further, a formal inquiry was held in relation to this matter by the Secretary to the Ministry focussing his attention on the Audit query sent by you in this regard. Since it had been informed that Mr. Dayawansa should have been offered an assignment of duties instead of a formal appointment by the Authority in the execution of the Order made by the Hon. Minister, arrangements were made to replace the letter of appointment that had been issued to Mr. Dayawansa by a letter issued to him on the assignment of duties. Since the time of such assignment of duties has been terminated by the 31st of October 2012, currently, no payment is made to Mr. Dayawansa.

- (h) The major objective of organizing a series of festivals held in connection with the completion of 100 years in the field of Civil Aviation in Sri Lanka was to create awareness among the general public on the field of Civil Aviation. The reason behind the decision of using the print and electronic media strongly was the emphasis made by the Hon. Minister of Civil Aviation Services, regarding the need of creating awareness among the general public in relation to the steps taken by His excellency, the President to transform Sri Lanka into an air hub by converting the Civil Aviation Service into a predominant sector in the process of development of the national economy as a major aspect of the Forward Vision of 'Mahinda Chinthana' under the theme of 'We will conquer the blue sky'. Since it had been decided at the meeting of the Organizing Committee of the Festivals which was presided by the Hon. Minister in charge of the subject that the service of a media personnel having a better understanding of media has to be out sourced with a view to accomplishing this task with the required standard, it has been decided to out source on contract basis the services of a expertise media personnel having obtained the proficiency in the field of media.

When the media programmes that were covered by the expertise media consultant so appointed are analysed, it is obvious that he had completed his duty very well and thereby a wastage of money had not taken place anyway.

- (i) The assistance under the 'Co-operative Development of Operational Safety and Continuing Airworthiness Programme- South Asia (COSCAP)' was sought to have a express training for new Engineers of the Authority and the Authority entered into an agreement of consultancy under 7(u) of the Sri Lanka Civil Aviation Authority Act with the Professional Airworthy Engineer whom they had recommended. It is very difficult to find a Professional Airworthy Engineer with such a service experience and since they have a very high demand, a large sum of money has to be incurred for outsourcing their services.

If this training has been provided in Canada, approximately an amount of Rs. 10 million has to be incurred in this regard. Mr. Shanthi Mendis agreed to render his service to Civil Aviation Services of his country as a Sri Lankan charging only a very low amount such as 50 dollars per day merely as a subsistence allowance

without charging for his expertise and action had been taken to obtain the covering approval of the Controller of immigration and emigration for employing him during the relevant period of time.

- (j) A request made by the Seva Wanitha unit of the Civil Aviation Authority which functions towards the welfare of women officers of this institution in order to provide facilities to obtain driving licenses for women officers was submitted to the Board of Directors and the approval had been granted at the 79th meeting of the Board of Directors held on 21st of July 2011.

However, action has been taken to charge the amount of money from the relevant officers considering your observation.

#### **4.4 Resources of the Authority provided to other government institutions.**

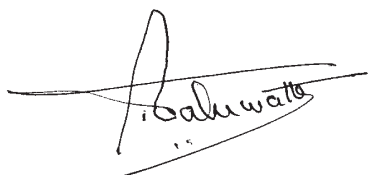
We had to adopt this procedure as per the instructions made by the Honourable Minister.

### **5. Accountability and Good Governance.**

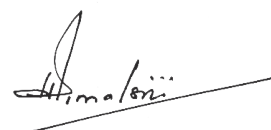
- 5.1** The increase in the income of pre-paid ticket advice more than the expected level due to the increase in the value of a Dollar in the year 2012 from Rs.117 up to Rs.132 and non-incurring of the estimated capital expenditure due to the postponement of construction works of Mattala sub office until the year 2013 and as a result of that, non reduction of investments as expected had given rise to the increase in the investment interest more than the estimated income were the fundamental reasons for the occurrence of this variation .

### **6. Systems and controls.**

More attention has been paid by us on the significant and important matters depicted in the Audit and we would like to inform you that we will be taking appropriate measures to minimize administrative and operational deficiencies that may happen in the future and thereby we will try our best to improve the performance level of the institution. We take this opportunity to thank the Superintendent of Audit who led the Audit staff to perform the functions of the Audit for the benefit of this institution impartially and transparently with strong dedication and with great effort.



General Rohan De Silva Daluwatte  
Chairman.



H.M.C.Nimalsiri  
Director General of Civil Aviation and  
Chief Executive Officer



