පාර්ලිමේන්තු ප්‍රකාශන මාලාවේ අංකය: 487
ආයතනයේ නම: ආරක්ෂක අමාත්‍යාංශය
පාර්ලිමේන්තුවේ රජයේ ගිණුම් පිළිබඳ කාරක සභාව විසින් සභාගත කරන ලද වාර්තා සම්බන්ධයෙන් ස්ථාවර නියෝග අංක 119(4) යටතේ ගරු අමාත්‍යවරයාගේ නිරීක්ෂණ හා ගනු ලබන පියවර පාර්ලිමේන්තුව වෙත ඉදිරිපත් කිරීම.

பாராளுமன்றத்தின் வெளியீட்டுத் தொடர் இலக்கம்: 487

நிறுவனத்தின் பெயர்: பாதுகாப்பு அமைச்சு
பாராளுமன்றத்தின் அரச கணக்கு குழுவினால் முன்வைக்கப்பட்ட அறிக்கை தொடர்பாக நிலையியற் கட்டளை இலக்கம் 119(4) இன் கீழ் கௌரவ அமைச்சரின் அவதானிப்புக்களும் மற்றும் அது தொடர்பாக எடுக்கப்பட்டு நடவடிக்கைகளும் பாராளுமன்றத்தில் சமர்ப்பித்தல்.

Parliamentary Series No: 487
Name of the Institution: Ministry of Defence
Submission of Observations of Hon. Minister and Steps Taken with Regard to the Reports Tabled by the Committee on Public Accounts in Terms of Standing Order No:119(4)

පටුන/பக்கம்/Contents

Submission of Observations of the Honourable Minister of Defence to Parliamet under the Standing Order No.119(4) regarding the matters pointed out by Parliamentary Statements No.487 tabled in Parliament by the Committee on Public Accounts, and the measures to be taken.

	Main points discussed	- **Clarifications of points by the Chief Accounting Officer / Accounting Officer** - **Observations and Recommendations of the Committee**	**Action taken by the Institution to Implement Recommendations /Current Status**
01	Progress of implementing the recommendations made by the Committee on Public Accounts held on 10 August 2018. The necessity for amending the provisions of the Firearms (Amendment) Act, No. 22 of 1996	The Committee drew attention to the fact that, since the period for the relevant amendment has exceeded 10 years, the licence fees have not been revised in a timely manner, resulting in a significant loss of revenue to the government. The Chief Accounting Officer of the Ministry of Defence stated that a committee had been appointed in 2016 with regard to amending the Firearms Act, and that accordingly, the draft bill submitted for Cabinet approval in 2021 was due to be sent to the Attorney	**Amendment to the Firearms Act No. 33 of 1916, as amended by the Firearms (Amendment) Act No. 22 of 1996** Approval has been granted, by Cabinet Memorandum No. CM/25/0524/803/017 and the Cabinet decision dated 08 April 2025, to include provisions relating to the regulation of air guns in the new Firearms Act. Accordingly, the draft Firearms Bill, incorporating that matter as well, has been forwarded to the Firearms Committee on 24.04.2026 for recommendations. The draft Explosives Bill has been forwarded to the Legal Draftsman on 10.04.2026.

	and the Explosives (Amendment) Act.	General. It was also stated that budget proposals had been made to revise the firearms licence fees, and that there remains a need to revise these fees. Recommendations The Committee recommended that the Chief Accounting Officer submit a report to the Committee, before 28.12.2023, setting out the timelines leading up to the presentation to Parliament of the amendments to the Firearms (Amendment) Act No. 22 of 1996 and the Explosives (Amendment) Act. A letter No. MOD/PA/PAC/05/COPA/2023 dated 28.12.2023, has been sent by the Additional Secretary (Parliamentary Affairs and Policy) of the Ministry of Defence, setting out the current status in this regard. The relevant draft bill has, by now, been passed as an Act of Parliament.	

		The Chief Accounting Officer stated that explosive license fees were increased by approximately 60% in the year 2022 through the Explosive License Fees Regulations. Furthermore, in accordance with the Explosives Act and the Chemical Substances Act, hazardous cargo vessels navigating through Sri Lanka within the 12-nautical-mile limit must also obtain approval by paying a fee to the Ministry of Defence. The Committee also raised concerns regarding the fact that the MV X-Press Pearl, which was involved in a maritime accident within Sri Lankan waters, had not been subject to the oversight of the Ministry of Defence as referred to above. The Committee pointed out that, in terms of international conventions, fees should be collected from vessels operating within Sri Lanka's maritime jurisdiction and that the Ministry of Defence should be involved in this regard. The Chief Accounting Officer informed the Committee that the	

		relevant Bills are presently at the drafting stage and that the proposed legislation would authorize the Sri Lanka Navy to recover the applicable charges. Recommendations The Committee recommended that the Chief Accounting Officer of the Ministry of Justice, Prison Affairs and Constitutional Reforms submit a report to the Committee before 01.12.2023 on the current status of the proposed bills regarding the collection of relevant fees from vessels navigating within Sri Lankan territorial waters. The relevant bill has been passed as an Act in Parliament by now.	
02	Progress in implementing the recommendations made by the Committee on Public Accounts at the meeting held on 10th August 2018	It was revealed here that a circular had been issued in November 2023 regarding the crediting of income to the funds of the Tri-Forces. By an internal letter dated 03.11.2023, the percentages of that income to be credited to the Consolidated Fund had been notified to the Commanders of the Tri-Forces. Although the percentages for income distribution	By Letter No. MOD/DEF/HRM/GEN/OTHERS/88(11)(197) dated 03.11.2023, the Tri-Forces were informed of the percentage of revenue earned from services provided by the Tri-Forces and other institutions to external parties that should be credited to the Consolidated Fund. **(Annex - 01)** However, by its letter dated 28.11.2023, the Committee on Public Accounts instructed that the approval of the Ministry of Finance, Economic Stabilization and National Policies be obtained when determining the revenue-sharing percentages referred to in Annex 01.

	Income earned through services provided to external parties by the Tri-Forces The Auditor General pointed out that since the expenses of the welfare associations connected with the Tri-Forces are borne by the Consolidated Fund, their income should also be credited to the Consolidated Fund; however, 100% of the income of certain welfare associations is being credited to other funds instead. Although the Secretary of Defence, in the	had been determined through this internal circular, it was revealed that approval for this had not been obtained from the Ministry of Finance, Economic Stabilization and National Policies. The Committee observed that the authority for determining these percentages was not clear, and that it was also unclear whether the relevant percentages were to be allocated from turnover or from net profit. Furthermore, the Committee observed that not all sources of revenue had been disclosed when providing information for the audit, that it could not be ascertained whether the expenditure was incurred from revenue or from the Consolidated Fund, that the manner in which retained funds were utilized had not been disclosed, that expenditure details had not been revealed, and that although government human and physical resources had been utilized for income and expenditure activities, such activities had not been subjected to state audit. The Committee emphasized that the Ministry of Defence should exercise	Accordingly, following a study of the revenue information provided by the Tri-Forces and discussions held with officials of the Tri-Forces, the Ministry of Defence, and the Ministry of Finance, this Ministry was informed by the letter of the Department of Public Finance bearing No. PFD/RED/REG/F&C/2025/DEF dated 05.03.2025 that the percentage of the net revenue earned from these services to be credited to the Consolidated Fund had been revised with the approval of the Secretary to the Treasury **(Annex - 02)**. Thereafter, the Tri-Forces were informed by my letter No. MOD/F/DEF/HRM/GEN/OTHERS/88(11)(VOL-2) dated 31.03.2025 to take action accordingly.**(Annex - 03)** In accordance with the directives issued at the meeting of the Parliamentary Committee on Public Accounts, information reports relating to bank accounts opened by the Tri-Forces, other than Defence Accounts, in connection with revenue earned from services provided by the Tri-Forces to external parties, were forwarded to the Parliament of Sri Lanka by this Ministry through Letter No. MOD/DEF/HRM/GEN/OTHERS/88(11) dated 10.01.2024. **(Annex - 04)**

	year 2014, had informed the Commanders of the Tri-Forces to credit the income earned from the above-mentioned services to the Consolidated Fund in terms of Article 149 of the Constitution, and had instructed them to formulate a proper procedure in this regard and report to the Ministry, no action had been taken accordingly.	oversight over the welfare funds maintained by the Tri-Forces and that the Internal Auditor of the Ministry, who participates in the Tri-Forces Audit Committee in an observer capacity, should bring to the attention of the Audit Committees the fund credits of the Tri-Forces and other related matters that were highlighted by the Committee on Public Accounts. Furthermore, the Committee recommended to the Chief Accounting Officer that an appropriate mechanism be established to credit such revenues to the Consolidated Fund. Recommendation The Committee recommended to the Chief Accounting Officer (CAO) that a report be submitted to the Committee before 10.01.2024, containing the following information: a report regarding the funds maintained at camp level, and, in respect of any other bank accounts opened by the Tri-Forces apart from defence accounts of any kind — the relevant bank branch, the name of the account, the date on which it was opened, whether it is a	

		fixed deposit/savings/current account, the purpose for which it was opened, who holds the signing authority, and the current balances of those accounts. Letter No. MOD/DEF/HR/GEN/OTHERS/88(11) dated 10.01.2024 of the Secretary, Ministry of Defence.	
03	<u>Progress of implementation of the recommendations made by the Committee on Public Accounts at its meeting held on 10 August 2018.</u> Procurement of food items for the Tri-Forces.	The Committee recommended establishing an information management system covering all institutions involved in the procurement process and pointed out the need for a data management system to evaluate the feedback of the Armed Forces on the food items supplied. However, it was revealed by the Committee that the Army, which accounts for 70% of the total procurement value, had not implemented such a system. It was further revealed that approximately 25 contractors had been selected to supply around 600 food items to more than 30 military camps at an annual expenditure of about Rs. 96 billion, and that the estimated contract values were unrealistic, the lowest prices obtained through the bidding process	01. In accordance with the instructions provided, a computer software system is being developed by the Directorate of Information Technology under the supervision of the Directorate of Supply and Transport. 02. As per the procedure for issuing rations to resident personnel, a Ration Data Management System is being implemented as a pilot project within the Army Supply and Consumer Unit to carry out the following activities. (a) Requesting fresh/dry rations from suppliers. (b) Requesting fresh/dry rations from consumer units/institutions. (c) Issuing fresh/dry rations from Sri Lanka Army Service Corps battalions/units. 03. Furthermore, the following processes have been requested from the Directorate of Information Technology of the Sri Lanka Army for implementation within this system, and the relevant development

		were not realistic, and the difference between the lowest bid prices and market prices for certain items was in the range of approximately 500% to 1,000%. The Committee focused its serious attention on the above matters, and the Chief Accounting Officer stated that any price offered by suppliers should not exceed the prevailing market price. He further stated that the first stage of the Army's data management system would be operational by 31.12.2023 and that arrangements had been made to complete the system by March 2024. The Chief Accounting Officer also indicated that there was a delay on the part of the Army with regard to this matter. Recommendations The Committee recommended to the Chief Accounting Officer that a report indicating the timelines for the full implementation of the Army data management system be submitted to the Committee before 11.12.2023. Further, the Chief Accounting Officer	work is currently in progress. (a) Incorporation into the data system of the processes related to food items produced by the bakery sections of the Sri Lanka Army Service Corps and supplied to consumer locations. (b) Enabling the system to generate and review information/reports required for submission to Army audit teams and other investigative purposes. (c) In addition to the ration list for other ranks, the Sri Lanka Army Service Corps provides ration facilities under its procedures for various requirements such as hospital rations, jungle ration packs, animal rations, and nutritional supplements. Accordingly, the system is being developed for this purpose. 04. Therefore, information regarding the issues encountered in reviewing the currently implemented system based on the approved ration list and as reported by Army supply units and consumer units, is submitted to the Directorate of Information Technology. Such issues are resolved in coordination with that Directorate, and the system is operated only from locations where computer facilities with internet connectivity are available. 05. Furthermore, while the procurement and issuance of fresh and dry rations within the Army are being conducted through the relevant system, the successful implementation and continuous operation of the Ration Management System has been hindered due to the failure to procure 110 computers identified as essential for the system. Although procurement action was initiated in 2025, the

		stated that instructions had been issued by the Ministry of Defence to the Tri-Forces for the accurate estimation of food procurement estimates. The Committee directed that such instructions be formally issued through a circular. It was also stated in the letter of the Senior Assistant Secretary (Parliamentary Affairs and Policy) bearing No. MOD/PAC/05/COPA/2023 dated 14.12.2023 that the software system could be completed by May 2024, and the relevant implementation timeline was submitted accordingly.	Office of the Chief Signal Officer has reported that the purchase could not be completed as the supplier informed its inability to provide the required quantity of computers. It has further been reported that arrangements are currently being made to secure budgetary allocations for the procurement of communication and information technology equipment in 2026, following which action will be taken to acquire the required computers.
04	Duties Performed under United Nations Peacekeeping Operations	The Committee's attention was drawn to the fact that, despite the collection of USD 19,177,125.83 during 2022 from duties performed under United Nations Peacekeeping Operations, only USD 7,506,868.47 (Rs. 2,447,153,974) had been shown as revenue for the year. Consequently, revenue amounting to USD 11,670,257.36 had not been accounted for in the financial statements. The Committee inquired into the reasons for the non-	It was observed in audit that, although the Sri Lanka Army and the Sri Lanka Air Force had collected USD 19,177,125.83 during the year under review under Revenue Code 20.03.06.00 – Duties Performed under United Nations Peacekeeping Operations, the ACA-1 Revenue Statement reflected only USD 7,506,868.47, equivalent to Rs. 2,447,153,974, as revenue for the year. Accordingly, revenue amounting to USD 11,670,270.36 (Rs. 4,205,942,732.54) had not been reflected in the accounts, which was brought to audit attention. The following factors may be attributed to this difference of USD 11,670,270.36.

		compliance with State Finance Policy Circular No. 1/2015 and the failure to credit the aforesaid funds to the Consolidated Fund. In response, the Chief Accounting Officer informed that the funds were retained with the Treasury approval in view of the prevailing foreign exchange crisis. He further stated that the retained funds were intended to support the continued deployment of peacekeeping contingents and to finance the repair and maintenance of helicopters and other assets engaged in overseas operations. The Chief Accounting Officer also explained that, although the relevant banks had been instructed to remit the funds to the Consolidated Fund at year-end, a delay had occurred during 2022, and the full amount had eventually been credited to the Consolidated Fund on 03 January 2023.	A sum of USD 5,018,232.97 **(**Rs. 1,822,170,573.74**),** representing revenue belonged to the Sri Lanka Air Force for 2022, was remitted on 03.01.2023 to the account maintained in the name of the Deputy Secretary to the Treasury. **(Annex - 05)** Furthermore, an amount of USD 3,039,169.61 **(**Rs. 1,103,552,877.09**),** which had not been credited to the Consolidated Fund during 2022, was credited to the Consolidated Fund on 03.01.2023. **(Annex - 06)** In addition, out of the revenue generated from duties performed under United Nations Peacekeeping Operations, the Sri Lanka Army had retained USD 3,612,804.78 in the account as at 19.08.2022 in order to open letters of credit. **(Annex - 07)**
05	Transactions Lacking Economy and Cost Efficiency	The Committee observed that an uneconomic expenditure of Rs. 5,197,413 had been incurred for 400 participants at a one-day conference held on 13 January 2022 and that,	The aforementioned programme was scheduled to be held at the Bandaranaike International Memorial Conference Hall with the participation of 300 tri-service officers. In line with this plan, preliminary arrangements and related expenditures were undertaken to conduct the

	Office of the Chief of Defence Staff	despite the requirement to control public expenditure in accordance with the relevant circulars, an irregular practice had been followed whereby the expenditure was initially met from the Welfare Fund instead of being incurred from the relevant Object and was subsequently reimbursed under that Object. The Chief Accounting Officer explained that the conference, which was scheduled to be held in 2019, had to be conducted in 2022 owing to the COVID-19 pandemic. He further noted that the conference had originally been planned for 300 officers but was subsequently increased to over 400 officers upon a request made by the Tri-Forces.	programme on the scheduled date of 15.12.2021. However, owing to the prevailing COVID-19 Omicron variant situation at that time, the programme could not be conducted as scheduled and was consequently postponed. 2. Subsequently, the programme was conducted on 13.01.2022. Considering the significance of the programme, the initially planned participation of 300 officers was increased to 400 officers. Accordingly, as a result of the higher-than-expected officer participation, the actual expenditure exceeded the estimated cost, and this was attributable to the following factors. a. Although all arrangements and other necessary requirements had been duly organized and prepared for the originally scheduled date of the programme, it could not be conducted on that date and was subsequently held on 13.01.2022. b. Although the programme was originally scheduled to be conducted in 2021, it was held in 2022, resulting in an increase in certain anticipated expenditures during that period. c. Although the programme was initially planned for 300 officers, it was conducted for 400 officers, resulting in an increase in costs. 3. In selecting the SWRD Bandaranaike Memorial International Conference Hall for conducting this programme, consideration was to the

			following factors in addition to the cost. a. As a large number of tri-service officers participated in this course, it was necessary to ensure the proper provision of security, hospitality, meals, and coordination arrangements for them. b. In view of the prevailing COVID-19 pandemic situation, the conduct of the programme with the participation of approximately 400 officers required enhanced attention to health and safety protocols and other control measures. Accordingly, the SWRD Bandaranaike Memorial International Conference Hall, operating under government patronage, was deemed more suitable for the conduct of the programme. c. As the Office of the Chief of Defence Staff is located within the premises of the SWRD Bandaranaike Memorial International Conference Hall, programme coordination and other control functions could be carried out with ease, thereby minimizing potential administrative constraints and additional costs that could arise from conducting the programme at a remote location. 4. Furthermore, the food requirement for this programme was sourced from M/s Mount Lavinia Catering Service, as it is the officially designated catering service provider for the Bandaranaike Memorial International Conference Hall premises, and there is no legal authority permitting the procurement of food from external suppliers. 5. As highlighted in the audit observation, it was essential to incur expenditures for hall facilities for the night prior to the staff training, reservation of conference hall facilities for preliminary training sessions, floral decorations, banner printing, and the preparation of identity cards for

			participating officers. 6. Accordingly, it is stated that a total expenditure of Rs. 5,197,413.00 was incurred for this programme based on the aforementioned considerations. Further, due attention has been given to the instructions issued under Budget Circular Nos. 03/2021 dated 21.12.2021 and 03/2022 dated 26.04.2022, and arrangements have been made to ensure strict adherence. All staff have been duly informed and instructed to comply with these directives in all future financial transactions. The Office of the Chief of Defence Staff has been closed pursuant to a Cabinet Memorandum at present.
06	<u>Transactions Lacking Economy and Cost Efficiency</u> National Defence Academy	The Committee inquired regarding the leasing of a residential complex comprising 24 housing units for the accommodation of 31 officers attending the course, under a two-year lease agreement at a monthly rent of Rs. 3,000,000, amounting to Rs. 72,000,000, and the payment of Rs. 1,750,500 for the hire of a bus on a rental basis to provide transportation services for the said residential complex. The Chief Accounting Officer stated that these expenditures were incurred during the first phase of the course, and that senior officers of the tri-	Upon the expiry of the lease agreement relating to the said building, arrangements have been made to return the premises to its owner upon completion of the contracted two-year period. From the beginning of 2026, out of the 51 housing units in the 'Wiyathpura' housing complex, which was purchased by the Urban Development Authority and allocated to the tri-services, 18 units have been earmarked for allocation to officers undergoing full-time courses at the National Defence Academy and are to be provided through the respective services. As per letter No. MOD/TEC/3/DHQC/UDA HOUSING UNIT/2025(48) dated 17.09.2025, it was conveyed that at the meeting of heads of institutions held on 03.09.2025, the Defence Secretary directed that priority be given to allocating the relevant number of housing units to the Academy. Accordingly, 18 housing units were allocated to senior officers of the Academy, comprising 10 units from the Army, 4 units from the Navy, and 4 units from the Air Force. It is further stated that 14 housing units pertaining to the Army and Air Force have already been provided to the relevant officers for the purposes of the course, thereby ensuring its

		services as well as equivalent civil service ranks participate in the programme. He further stated that from the third phase onwards, foreign officers are also expected to participate, thereby enabling the country to earn foreign exchange. The Committee emphasized that, instead of incurring substantial expenditure on leasing a building on a rental basis, consideration should be given to constructing a permanent facility for the National Defence Academy in the future. The Committee also proposed that the Ministry of Finance, Economic Stabilization and National Policies consider providing the necessary financial assistance for this purpose.	uninterrupted continuation. The remaining 4 housing units from the Navy are expected to be received in the near future, and necessary arrangements are currently being made to expedite their acquisition. It is further stated that, from the 2026 allocation provided to the Academy for building rental payments, the balance amount of Rs. 13 million, after covering the sinking fund for the 'Wiyathpura' housing complex, management fee, electricity charges, water charges, property rates, and other essential expenditures, is being returned to the Ministry of Defence. It is also respectfully informed that, henceforth, no buildings will be procured on a rental basis.
07	Strategic Communications Network Project	Although the construction was scheduled to be completed in 2016, the duration of this project had been extended by 06 years. As of 31st December 2022, the overall physical and financial progress was 73% and 53% respectively. Although Rs. 658.68 million had been spent on this project, its primary objective of maintaining the expected integrated strategic communication among the armed	The Strategic Defence Communication Network (SDCN) Project was suspended in 2025 following a decision of the Chiefs of the Tri-Forces. However, in view of the widespread disruption of the telecommunication networks operated by civilian service providers during the Cyclone Ditsva situation towards the end of that year, and upon the instructions of the Secretary to the Ministry of Defence, it was decided to revive and expand the project as a National Strategic Communication Network (NSCN) by integrating all Government institutions into a single national strategic communication platform. Accordingly, the necessary arrangements are

		forces had not been achieved in a timely manner. Furthermore, the Committee observed that whether the procurement specifications of the communication system drawn up in 2016 are compatible with current communication technology is questionable, and that the total expenditure constitutes an uneconomical expenditure. The Chief Accounting Officer stated that the Special Project Committee dealing with large-scale construction had decided to temporarily halt the project, that a portion of the relevant tower construction had been carried out, that since a certain amount of property remains relative to the money spent, such property is being maintained, and that a committee has been appointed to update the technology and implement this project.	currently being undertaken to implement the project under the title National Strategic Communication Network (NSCN). In this regard, a multidisciplinary committee comprising suitably qualified officers from the Ministry of Defence, the Tri-Forces, the Sri Lanka Police, and the Disaster Management Centre has been appointed to identify the operational requirements and develop the System Architecture necessary for the establishment of the NSCN. The committee is currently finalizing its report, which is scheduled to be submitted to the Secretary to the Ministry of Defence in the near future. At present, following a notification issued by the Telecommunications Regulatory Commission, discussions have been held with several telecommunication service providers regarding the relevant transmission towers, and the preliminary information requested by those entities has already been furnished. In addition, a team of technical experts has undertaken a comprehensive feasibility assessment on the utilization of the Pidurutalagala and Gongala transmission towers for the forthcoming implementation of Digital Terrestrial Television (DTT) Broadcasting in Sri Lanka. Discussions are presently underway to facilitate the provision of the required infrastructure, and it is anticipated that agreements will be concluded in the near future to lease the aforementioned transmission towers for this purpose.

08	**Procurement**	(i) On 16th March 2018, a supplier had been selected on the basis of a single bid received for obtaining 08 motor vehicles and 02 cab vehicles under the operational lease system. Accordingly, this transaction valued at Rs. 98,300,940 for the next 05 years had been carried out outside the government procurement process and without obtaining the expected competitive prices. The Chief Financing Officer stated that since no bidders had come forward for this purpose, quotations were called from applicants who had applied for such tenders in the tri-forces, and the supplier who responded with the sole and lowest price quoted was selected.	**The responses regarding its current progress are given below.** **3.1** Action has been taken following the receipt of approval through letter No. BD/NS/103/03/03/31 dated 02.03.2017 from the Director General of the National Budget Department, for the procurement of 08 motor vehicles and 02 double cab vehicles under the operational lease system for the use of Additional Secretaries, Senior Assistant Secretaries and senior officers holding equivalent positions of the Ministry of Defence. In this regard, approval had been granted with a maximum monthly rental of Rs. 135,000.00 for motor vehicles and a maximum monthly rental of Rs. 165,000.00 for double cab vehicles. **3.2** However, since it had been reported that there were no suitable vehicle models available under the above prices for allocation to Additional Secretaries or those holding equivalent positions, approval was obtained through letter No. BD/NS/103/03/03/31 dated 25.05.2017 from the Director General of the National Budget Department, and the procurement of those vehicles was carried out subject to the revised maximum monthly lease rentals specified in the revised circular of National Budget Circular No. 01/2016 (i) dated 19.09.2016. Those price limits are given below.

Officer Category / Vehicle Type	Revised Maximum Monthly Lease Rental (Excluding VAT) Rs. Revised Maximum Monthly Lease Rental (Excluding VAT) Rs.
Additional Secretaries / Director Secretaries / Chairpersons of Boards / Generals / District or equivalent level officers	200,000.00
Senior Assistant Secretaries / Directors or officers of equivalent level Senior	135,000.00
Double Cab for pool vehicles	165,000.00

3.3 Approval was granted at the Ministry Procurement Committee meeting held on 18.08.2017 to call for bids under the National Competitive Bidding method for obtaining these vehicles under the operational lease system. Accordingly, newspaper advertisements **(Annexure - 08)** were published on 27.08.2017 and bids were called. The bid opening was scheduled for 19.09.2017, and since no bids had been submitted at the time of opening the price quotations, approval was

			obtained at the Ministry Procurement Committee meeting held on 15.12.2017 to relax the bid conditions and call for bids again under the Limited National Competitive Bidding method, and further steps have been taken accordingly. The minutes of that Ministry Procurement Committee meeting are submitted herewith as **Annexure - 09**. **3.4** Accordingly, the approval of the Ministry Procurement Committee was obtained to invite bids under the Limited National Competitive Bidding (LNCB) method. Thereafter, by Letter No. MOD/FD/PB/27/II/2017 dated 08.01.2018, the Director General (Accounts and Finance) requested the Ministry of Finance and Mass Media to provide details of the suppliers who had submitted bids for vehicles procured under the operating lease method during that period **(Annexure - 10)**. **3.5** In accordance with the letter bearing Accountant's Number MF/6/16General/1/2018 dated 11.01.2018, the following institutions have responded to the tender called for the procurement of vehicles to the Ministry of Finance and Mass Media under the Operating Lease System **(Annexure - 11).** a. M/S V.S Rent A Car Service b. M/S Central Finance Company PLC c. M/S Rajagiriya Tours and Transport (Pvt) Ltd **3.6** Steps have been taken to send Invitation For Bids letters to all 3 institutions mentioned above, inviting them to respond to the tender. **(Annexure - 12)**

3.7 Accordingly, at the time of opening of bids on 09.04.2018, only M/s Central Finance Company PLC had submitted a bid.

3.8 The bid submitted by M/s Central Finance Company PLC has been referred to the Technical Evaluation Committee for evaluation, and taking into consideration the facts presented, the technical evaluation has been carried out and the committee report was submitted on 11.04.2018.

3.9. M/s Central Finance Company PLC has submitted 03 options as mentioned below for the supply of 05 motor vehicles for Additional Secretaries.

Potion	Description	Monthly Lease Rental (Exclusive of VAT) Rs.
I	Reconditioned Honda Vezel RS2017 model	Rs. 151,963.00
II	Reconditioned Toyota Premio 2018 model	Rs. 180,713.00
III	Brand new Honda Civic 2017 Model	Rs. 190,760.00

3.10 Among the options submitted by M/s Central Finance Company PLC, the Honda Vezel SUV 2017 model quoted at Rs. 151,963.00 was not of Sedan Type and that model of vehicle was not suitable for the use of Additional Secretaries. Therefore, the Technical Evaluation Committee has recommended that it is appropriate to purchase 05 motor vehicles of the Toyota Premio 2018 model quoted at Rs. 180,713.00, submitted as the second option, as they are Sedan type motor vehicles suitable for officers. In this regard, the relevant recommendations have been made taking into consideration the suitability of the vehicle model type and the modernity of the year of manufacture.

3.11 The Technical Evaluation Committee has recommended the option submitted by M/s Central Finance Company PLC for the supply of 03 motor vehicles for Senior Assistant Secretaries, consisting of a Reconditioned Toyota Axio WXB 2017 Model vehicle quoted at Rs. 134,950.00.

3.12 Furthermore, M/s Central Finance Company PLC has submitted 02 options as mentioned below for double cab vehicles.

Potion	Description	Monthly Lease Rental (Exclusive of VAT) Rs.
I	Brand New Toyota Hilux 2018 Model	Rs. 164,967.00
II	Brand New Isuzu D Max 2017/2018 Model	Rs. 163,542.00

3.13 The first option (Option i) submitted for cab vehicles is for a Brand New Toyota Hilux 2018 model double cab vehicle, and the Technical Evaluation Committee has recommended that it is appropriate to obtain it

			under the Operating Lease System at a price of Rs. 164,967.00. 3.15 However, the Technical Evaluation Committee had submitted recommendations to procure the Brand New Toyota Hilux 2018 model at Rs. 164,967.00, which was comparatively Rs. 1,425.00 higher in price, taking into consideration the following factors: the general popularity of Toyota brand vehicles in the country, the fact that it is a vehicle used by many government institutions without complaints, the fact that the Brand New Isuzu D Max 2017/2018 submitted by M/s Central Finance Company PLC is a less popular model, and the fact that the Brand New Toyota Hilux 2018 model is of a more recent year of manufacture. 3.16 Based on the above facts, without basing on the lowest price, the Technical Evaluation Committee has recommended that it is appropriate to obtain 02 double cab vehicles under the Operating Lease System at a monthly rate of Rs. 164,967.00 (exclusive of VAT) per cab vehicle. 3.17 Taking these facts into consideration, the Ministry Procurement Committee, which met on 10.05.2018, has granted approval to obtain 02 Brand New Toyota Hilux 2018 model double cab vehicles under the Operating Lease System for a period of 05 years at a monthly rate of Rs. 164,967.00 (exclusive of VAT) per cab vehicle. 3.18 The Ministry Procurement Committee, which met on 10.05.2018, has also granted approval to obtain clarifications from M/s Central Finance Company PLC regarding the condition of the vehicles (either be brand new or unregistered vehicles with a mileage less than 1,000 km at the station of hiring) for obtaining 08 motor vehicles under the Operating Lease System.

			3.19 Accordingly, clarification has been obtained from M/s Central Finance Company PLC, and it has been confirmed that these motor vehicles are brand new or unregistered vehicles with a mileage less than 1,000 km at the point of hiring. 3.20 This clarification has been submitted to the Technical Evaluation Committee, and based on the recommendations of the Technical Evaluation Committee, the Ministry Procurement Committee which met on 21.06.2018 has granted approval to obtain 05 Reconditioned Toyota Premio 2018 model motor vehicles for Additional Secretaries of the Ministry of Defence and 03 Reconditioned Toyota Axio WXB 2017 Model motor vehicles for Senior Assistant Secretaries under the Operating Lease System for a period of 05 years. Instructions have already been issued to pay special attention to the time taken when initiating future procurement processes based on the needs of the end users, to appoint relevant knowledgeable persons to Technical Evaluation Committees, to prepare bid documents accurately, to expedite the obtaining of quality inspection reports, as well as to make submissions to Procurement Committees more efficient.

		(ii) It was revealed that contrary to the provisions of Section 7.9.1 (a) of the Procurement Guidelines, although it was stated in the bid calling documents for the procurement of 529,000 meters of polyester wool fabric for the Sri Lanka Army and in the decision of the Standing Procurement Committee appointed by the Cabinet of Ministers, that the bid evaluation would be conducted based on laboratory quality test reports obtained from 03 accepted institutions on the quality of fabric samples, following the opening of bids, the bid evaluation had been carried out based on a quality test report obtained from only one institution, pursuant to a subsequent Procurement Committee decision. The Chief Accounting Officer stated that quality test reports were obtained from only one institution due to the fact that the 03 laboratories had taken a considerable amount of time to provide quality test reports.	Although, in terms of Section 7.9.1 of the Procurement Guidelines, bid evaluation should be carried out in accordance with the method, terms, and conditions specified in the bidding documents, the bidding documents relating to the procurement of 529,000 meters of polyester wool fabric for the Sri Lanka Army, as well as the decision of the Cabinet-Appointed Standing Procurement Committee dated 29.07.2021, stipulated that the bid evaluation should be conducted on the basis of laboratory test reports on the quality of the fabric samples obtained from three recognized institutions specializing in textile and apparel technology. However, due to the reasons set out below, the Cabinet-Appointed Standing Procurement Committee, at its meeting held on 11.08.2021, instructed that this procurement be proceeded with by considering the report obtained from one recognized institution together with the results of the field testing. **a.** The fabric was intended for the tailoring of uniforms that are worn daily by officers in the performance of their official duties. **b.** Due to the COVID-19 pandemic, and in accordance with government

instructions to summon only the minimum number of personnel required to maintain institutional operations, laboratory testing institutions also operated with a limited workforce, resulting in significant delays in obtaining the test reports.

c. In terms of Supplementary 4.2.3 of the Procurement Guidelines, a period of six weeks (subject to a maximum of thirteen weeks) has been allocated for carrying out procurements under the International Competitive Bidding method. The Cabinet-Appointed Standing Procurement Committee had recommended that the bid evaluation be completed after a period of three weeks from that point.

d. Based on past experience, conducting laboratory tests from 03 institutions takes a considerable amount of time.

For example, the time taken for quality testing of samples in the procurement of 278,250 olive colour bath towels for the Sri Lanka Army was as follows.

Institution	Sample submission date	Report Receiving Date	Number of Days Taken
Sri Lanka Institute of Textile and Apparel	2021.05.06	2021.07.14	69 Days
Sri Lanka Standards Institution	2021.05.06	2021.08.13	99 Days
University of Moratuwa	2021.06.14	2001.10.08	116 Days

It is true that, by proceeding on the basis of the quality test reports

			obtained from 03 recognized institutions, it would be possible to procure uniform fabric similar to the specifications set out in the procurement requirement. However, quality testing for textiles is carried out only by the government institutions, namely the Sri Lanka Institute of Textile and Apparel, the Sri Lanka Standards Institution (SLSI), and the University of Moratuwa. Since it was not possible to obtain test reports from all three institutions within the same timeframe, delays cause in obtaining the required reports from each institution. As a result, there was a risk that the procurement process could not be completed within the stipulated timeframe. Therefore, the Cabinet-Appointed Standing Procurement Committee, at its meeting held on 11.08.2021, instructed that the procurement be proceeded with by taking into consideration the report obtained from one recognized institution together with the results of the field testing. Accordingly, further action was taken on the basis of the quality test reports obtained from the Sri Lanka Institute of Textile and Apparel. However, upon examination of the test reports, it was observed that Dimensional Stability to Dry Cleaning, which is a key parameter, had not been tested. Considering the urgent requirement for this fabric, which is used for tailoring uniforms worn daily by officers in the performance of their official duties, the procurement process was proceeded with by taking into consideration the findings contained in the field test report relating to this parameter. Although the conclusion contained in the field test report was not based on a scientific testing methodology, it was nevertheless considered in moving forward with this procurement. It is further stated that the field testing conducted by the Army is specified under the evaluation criteria in the bidding documents. Although such testing is not carried out in a laboratory environment, it is used to evaluate the prescribed criteria based on an established and systematic methodology. In this regard, the Technical Evaluation Committee

			considered collectively both the laboratory test reports and the field test reports and made its recommendations in accordance with the prescribed evaluation procedure. Therefore, it is further submitted that the evaluation and recommendations were made on a scientific basis. At present, directions have been given to give due consideration to the time required when commencing future procurement processes based on end-user requirements, to appoint appropriately qualified personnel to Technical Evaluation Committees, to ensure the proper preparation of bidding documents, to expedite the receipt of quality test reports, and to improve the efficiency of submissions made to Procurement Committees. However, the Standing Procurement Committee appointed by the Cabinet of Ministers on 27.05.2025 granted approval to cancel this procurement, and ordered that a new procurement process be initiated by considering the total cost estimate of the current actual requirement under the relevant procurement committee in accordance with the authorized financial limits of the 2024 Procurement Guidelines, in order to obtain a more competitive price and to ensure the efficient use of public funds.
09	Shortage related to goods exceeding Rs. 12 million in the Consumer Goods Warehouse.	The attention of the Committee was drawn to the misplacement of the consumer goods requisition file relating to October 2021, the failure to maintain any stock records pertaining to a cost of Rs. 6 million, the failure to supervise the duties of store keepers,	The Board of Inquiry report regarding the goods shortage that occurred in the Ministry Consumer Goods Warehouse in the year 2021, along with the final report of F.R. 104 (3) and F.R. 104 (4), was submitted to the Department of State Finance for approval after obtaining the recommendations of the Secretary to the Ministry. As per the Board of Inquiry recommendations, based on the grounds of failure to perform assigned duties and supervisory weaknesses, the

		and the failure to check the accuracy of account books. The Chief Accounting Officer stated that the store keeper and the supervising officer concerned have been removed from duties, a new team has been appointed for this purpose and stock counts are being maintained, and the matter has been referred to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government for conducting preliminary inquiries and taking disciplinary action regarding the store keeper and the supervising officer. He further stated that until disciplinary proceedings are concluded, a monthly sum of Rs. 9,207.00 is being recovered from the salary of the store keeper, and that a further sum of Rs. 12,173,527 remains to be recovered, and that a complaint has also been made to the Criminal Investigation Department in this regard.	Additional Secretary (Administration) was informed to conduct a preliminary investigation against the following officers in connection with this incident, hold a formal disciplinary inquiry and act in accordance with its recommendations. a. K.D.P. Pushpakumara - Development Officer b. Manjula Kaluarachchi - Accountant c. J.S.K. Samarathu - Chief Accountant d. I.G.S.S. Sirimanna - Chief Financial Officer Accordingly, a relevant preliminary investigation committee has been appointed, and all files and documents relating to the recurrent store have been submitted to the investigation committee. Accordingly, I kindly inform that steps will be taken in the future to make recoveries from the relevant persons in accordance with the recommendations of the investigation committee. Furthermore, it has been informed through letter No. MOD/IAD/07/01/04/27 dated 08.05.2026 that in this regard, the Chief Internal Auditor has conducted store inspections on 05.08.2015, 25.02.2019 and 22.09.2020, and the observations and recommendations thereon have been communicated to the officers in charge of the relevant divisions. **(Annexure - 13)**

		However, the Committee pointed out that it was a weakness that this information had not been revealed by the Internal Audit Division of the Ministry.	
10	**Staff Information**	More than 700 military officers and other ranks belonging to the tri-forces had been employed in addition to the approved cadre of the Ministry for duties at the Ministry of Defence and other divisions under it, and the remuneration for such had been borne by the respective tri-forces. Furthermore, 122 vacancies that should have been filled by the civil sector are being covered only by other ranks of the tri-forces.	A cadre proposal is currently being prepared incorporating the tri-forces cadre in addition to the approved cadre of the Ministry of Defence, and it is planned to forward that proposal to the Department of Management Services to carry out further proceedings.
11	"Api Wenuwen Api Fund"	The Chief Accounting Officer stated that these funds are used to construct houses for war heroes who have been injured or killed in the Army, and to provide scholarships for children of war heroes. It was also revealed here that income from communication towers and housing complex schemes is credited to the "Api Wenuwena Api Fund", and that rental income from houses is received for the Defence	It has been informed through the letter bearing No. PED/RED/REG/F&C/2025/DEF of the Department of State Finance dated 05.03.2025 that 100% of the income received from communication towers installed within tri-forces camp grounds, as a source of income for the "Api Wenuwena Api Fund", should be credited to the Consolidated Fund. Accordingly, the Management Board approval to credit the tower income to the Consolidated Fund has been received through the 36th Management Board meeting held on 11th February 2026. However, in accordance with the instructions given at the governing board meeting of the National Security Fund held on 18.04.2026 under the chairmanship of the Secretary to the President, to hold a discussion with the Department of State Finance

		Fund.	and the Department of Budget of the Ministry of Finance, Planning and Economic Development under the chairmanship of the Senior Additional Secretary to the President (Development Administration) regarding the crediting of communication tower income to the Consolidated Fund, **Annexure - 14** letter has been submitted to the Presidential Secretariat.
12	Disaster Management	**The Committee inquired about the disaster forecasting programme.** The Chief Accounting Officer informed the committee that, in coordination with other relevant institutions, 25 Disaster Management Centres are operating around the clock in all three languages for the 25 districts in the country. He further stated that during a national disaster, the tri-forces and police act as first responders. The Chief Accounting Officer also informed the committee that a Telephone Portal is planned to be launched on 26.12.2023, with the aim of sending tsunami disaster alerts to mobile phones, and that service providers have already been assigned to cover the 14 relevant districts. He further stated that the satellite technology currently used in tsunami	I present the following representations, and clarifications regarding this finding. 01. Operation of 25 Disaster Management Centres for all 25 districts of the island, 24 hours a day in all three languages District Disaster Management Coordination Units have been established to cover all 25 districts of the island, operating 24 hours a day, 7 days a week. However, as there are insufficient officers to maintain round-the-clock, 7-day operations in all three languages across certain districts, recruitment of officers is currently underway. 02. The tri-forces and police acting as first responders during a national disaster. Under the coordination of the Disaster Management Centre (DMC) and the guidance of District Secretaries, the tri-forces and police act as first responders during a national disaster. 03. Opening of a Telephone Portal on 26.12.2023 with the aim of sending tsunami disaster alerts to mobile phones.

		warning towers is now inactive, and that it is intended to introduce a telephone-based disaster warning system as a replacement. It was also revealed that there is a shortage of equipment required for firefighting in the event of fires in high-rise buildings. C.B.S.I. Perera Chief Accountant (Accounts & Finance) Ministry of Defence Defence Headquarters Complex Sri Jayawardenepura Kotte	With the objective of sending tsunami disaster alerts to mobile phones, Memoranda of Understanding have been signed in collaboration with all mobile and fixed telephone service providers, and the necessary measures have been put in place to issue early warning messages to the 14 districts at risk from tsunamis in the event of a disaster. 04. The satellite technology in tsunami warning towers currently being inactive, and the introduction of a telephone-based disaster warning system as a replacement. Although the installation of multi-hazard warning towers was proposed through the CResMPA project, due to the lack of sufficient funds for this purpose, project proposals have been submitted to obtain the necessary allocations through the Public Investment Programme (PIP). In addition, proposals have also been submitted for the CDRI programme. 05. There is a shortage of equipment required for firefighting in the event of fires in high-rise buildings, and the Fire Service Department has been notified of this matter in writing. I Kindly wish to point out that the absence of sky ladders necessary to minimize fire disasters in high-rise buildings in densely populated areas, and the fact that the available sky ladder is limited to only approximately 22 floors, means that controlling a fire in a tall building requires an enormous effort.