

# CIVIL AVIATION AUTHORITY OF SRILANKA

## Annual Report 2013

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 yasin 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 : Kalasuri. Arisen Ahubudu  
Singer : Kala Keerthi Deshamanya Dr. Pundit W. D. Amaradewa  
Melody : Kala Keerthi Deshamanya 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 2013 and ended 31st December 2013.

A handwritten signature in blue ink, reading "R. Daluwatte", with a stylized flourish above it.

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

28th February 2014

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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 Officers
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
MRIA	-	Mattala Rajapaksa International Airport
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

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Sub-offices : **Airworthiness Sub Office,**  
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Bandaranaike International Airport Colombo,  
Katunayake.  
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**Airworthiness Sub Office,**  
Civil Aviation Authority of Sri Lanka,  
Colombo Airport,  
Ratmalana.  
Telephone : +94- 11-3135828  
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Auditors : Auditor General, Democratic Socialist Republic of  
Sri Lanka

Lawyers : Attorney General, Democratic Socialist Republic of  
Sri Lanka

Banker : Bank of Ceylon

Insurers : Sri Lanka Insurance Corporation Ltd  
Ceylinco Insurance Company Ltd.

# CHAIRMAN'S REVIEW

The Air Transport sector experienced a distinct overall growth during the year 2013 with an increase in passenger, cargo and aircraft movements to and from Sri Lanka.

Inauguration of Mattala Rajapaksa International Airport is another milestone in the Air Transport Industry during the year 2013.

Accessibility by air into and out Sri Lanka was also expanded either by revising the scope of existing bilateral air services agreements or entering into new air services agreements with a number of States.

There were many new leading foreign Airlines that commenced operations to Sri Lanka during the year under review whilst some other Airlines resumed their operations to Colombo after a short lapse. British Airways resumed its operations from Gatwick to Sri Lanka after an absence of nearly 15 years in April 2013. Turkish Airlines, commenced operations from Istanbul in January 2013. The commencement of operations of these two European Airlines shows the confidence Airlines have in the Sri Lanka Aviation Market.

Air Asia X, Asia's leading budget operator commenced operations from Kuala Lumpur in September 2013 further boosting the Aviation and Leisure industries in Sri Lanka. Another major Airline in Asia, Korean Airlines commenced their operations to Colombo from Seoul in March 2013. In addition Island Aviation, a Maldivian carrier re-commenced their operations from Maldives to Sri Lanka.

Further to the aforementioned scheduled operators Lot Polish (from Warsaw), Orenburg (Transaero) Travel Service (and Travel Service Polska (commenced their charter operations to Sri Lanka during IATA winter season 2013/14 as Inclusive Tour Charter Operators. VIM Airlines resumed their charter operations to Sri Lanka after 9 years during the IATA Winter Season 2013/14.

Scheduled operators Gulf Air (from Bahrain) and Tiger Airways (from Singapore), ceased their operations to Sri Lanka during the year under review. Wind Rose and Enter Air both Charter operators also ceased their operations within the first quarter of the 2013.

Mihin Lanka launched passenger services to Seychelles (Mahe) in the year and SriLankan Airlines maintained their operating capacity as previous year.

The CAASL at present consists of one hundred and sixty seven (167) positions in its approved cadre which comprises of a Chief Executive Officer, thirty four (34) Senior Executives, forty three (43) Executives, fifty five (55) Action Officers and thirty four (34) Support Staff. A total of one hundred and forty six (146) were in employment with the CAASL as at the end of December 2013. Recruitment of skilled personnel and retention of such personnel after training was one of key challenges faced by the CAA in the discharge of its regulatory oversight function.

Organizational Reforms were proposed and Treasury approval was obtained in order to overcome the problem of not having career progression in the organization. However, the remuneration package of the staff engaged in Safety and Security Oversight functions is yet to be solved as a matter of urgency if the CAA is to retain its recent achievements at global level in regard to safety and security oversight capabilities.

In keeping with the corporate goals and strategies of the organization which is enumerated elsewhere in this Report, individual and group staff training both locally and overseas was

given prominence in order to produce professionally competent personnel which is vital for the CAA to discharge its primary function of safety and security oversight of civil aviation which is very complex, sophisticated and continuously evolving.

CAA took a series of meaningful steps to solve its infrastructure requirements relating to buildings. Accordingly steps were taken to construct an office at MRIA, staff quarters/bungalows at Weerawila for the use of staff visiting MRIA for official duties and construction of Head Office building at BIA.

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.

A handwritten signature in blue ink, reading "R. Daluwatte", with a stylized flourish above it.

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

# DIRECTOR GENERAL'S REVIEW

## Global Situation

The year 2013 ended with the dawn of the centenary of the commercial airline flight which took off on 01st January 1914 with a single passenger on a single route. Today commercial aviation embraces the entire world with a massive route network of nearly 40,000 carrying over 3.3 billion people and 52 million tons of cargo by air.

Aviation is an integral part of the world's economy which has a strong correlation with the global GDP. Air Transport helps the process of faster globalization by connecting any two corners of the world in less than 24 hours with the highest level of confidence in flight safety whilst supporting the livelihood of 57 million of the people of the globe.

In 2013, with a total of 37 fatal accidents occurred in the globe killing 337 passengers traveled on aircraft with Maximum Takeoff Weight over 2250 kilo grams.

According to statistics released by the International Civil Aviation Organization the year 2013 was the safest year ever recorded in terms of fatalities in scheduled international air transport operations. With over 33 million departures, the fatalities in the scheduled international operations fell down to 173 in 2013 which is 53.5 % of reduction compared to 2012 (372). Out of a total of nine accidents in 2013, seven occurred during approach or go around phase emphasizing the need for paying more attention to improve safety in approach and landing phases of flight.

ICAO which conducts Continuing Monitoring Assessments on all of its Member States to ascertain the degree of States' compliance with ICAO SARPs and Industry Best Practices, announced that the global percentage of Effective Implementation of ICAO Safety Oversight Critical Elements by ICAO Member States had risen to 61.7 % at the fall of 2013. However, ICAO has declared 13 out of 191 Member States to have Significant Safety Concerns (SSC) and one such State is in South Asia. Most of others are countries in the African continent.

The European Airlines dominated the international air transport sector with 38% market share and the airlines in the Asia and Pacific region claimed the second position with 27% of market share.

According to IATA, passenger demands increased in 2013 by 5.2 % with a capacity increase of 4.8% measured in terms of Available Seat Kilometer compared to 2012 with an impressive average load factor reaching 79.5%, despite high fuel costs and relatively slow global economic growth. The average price of a barrel of fuel stood at \$124 in 2013.

Unit cost per Available Seat Kilometer of Network Carriers (Legacy carriers) varied between 8 -15 US Cents, whilst it was ranging between 4.5-11 US cents for the Low Cost Carriers (LCC).

Performance in air freight (freight tonne kilometers -FTK) increased by 1.4% with a capacity increase by 2.6% in 2013 compared to 2012. The reported air freight load factor in 2013 was 45.3%. Strongest growth in demand for both passenger and air freight was demonstrated by Middle Eastern region with a rate of 11.2% of growth.

The global airlines generated net profits of \$19.7 billion in 2013 which translated to a marginal average profit of \$5.94 per departing passenger. According to IATA, the airline industry generates presently an average Return on Invested Capital (ROIC) of 4.1%, which is well below

the Weighted Average Cost of Capital (WACC) which is in the range of 7% -9%. The airline industry achieves one of the lowest levels of ROIC of any industry and is one of the few that consistently fails to meet its WACC.

By the fall of 2013, the world's major aircraft manufacturers, delivered more than 1500 aircraft as against recorded orders for over 2800 new aircraft. The year 2013 was another a busy year for Boeing and Airbus in manufacturing and selling next generation wide-bodied aircraft and re-engine narrow body aircraft. The Bombardier was working to perfect and deliver its C Series to customers. Embraer was starting the development of its second-generation E-Jets whilst ATR was trying to get its shareholders to agree to an all-new 90-seat turboprop. In 2013 Airbus delivered 626 aircraft including 25 numbers of A380 aircraft. Boeing delivered a total of 648 aircraft including 65 number of B787 Dreamliner's by Boeing which suffered through a 100-day grounding of the global 787 fleet of 65 aircraft due to a number of incidents with its electrical system and lithium-ion batteries, including two cases of 'thermal runaway'. The 787 aircraft's problems were compounded in Jul-2013 when an Ethiopian Airlines 787 parked at London Heathrow caught fire after a wiring short in the battery pack of its emergency locator beacon.

With the active involvement of ICAO, the aviation industry continued with its committed efforts to reduce CO2 emission to the environment. ICAO introduced in its website a calculator to help a passenger calculate the amount of CO2 emitted by him when flying between any two points of the globe. According to this calculator, a passenger travelling on economy class from Colombo to London and return would add an average of 1 metric ton of CO2. This amount would be doubled if the passenger travelled in Business Class.

## Regional Situation

As per the data released by ICAO, the Asia and Pacific Region recorded a total traffic growth measured in terms of Revenue Passenger Kilometers of 7.2 % with a market share of 31% of the globe. The capacity growth of Asia and Pacific region in 2013 measured in terms of Available Seat Kilometer was 6.7% with a passenger load factor of 77.2%. According to ICAO, the Asia Pacific airlines had the largest share of global Freight Tonne Kilometers but saw a contraction in overall freight volumes.

The growth rate of aviation industry in two main economies in the region viz. China and India slowed down in 2013. SAARC Countries have a total 598 aircraft in 64 models engaged in commercial air service operations. Out these aircraft majority were operated in India (402) and the rest of them were in Bangladesh (22), Bhutan (2), Maldives (52), Nepal (33), Pakistan (59) and Sri Lanka (26).

The decision by the US Federal Aviation Administration on 31 Jan 2014 to downgrade India to Category 2 under its International Aviation Safety Assessment (IASA) Program caused a major embarrassment to India. A Category 2 rating signifies an assessment that India's State Safety oversight regime does not meet international safety standards. India is one of 16 countries rated as Category 2 by FAA. It includes Bangladesh, Ghana, Indonesia, the Philippines and Nicaragua. The direct implications are that Indian carriers are not permitted to launch any new services to the US nor codeshare with US airlines. Existing services may continue. In 2004 marked a turning point in Indian aviation sector with market liberalization and the entry of low cost airlines. It resulted in an unprecedented expansion 11 million of traffic being expanded to 60 million by 2013.

### Industry Performance

In its forward march of the development of air transport sector as one of the five main key development hubs in Sri Lanka as enunciated in Mahinda Chintanaya, Sri Lanka recorded 52,194 flight movements of commercial flights in 2013 showing a growth rate of 4.3% compared to the previous year. Accordingly Sri Lanka ranked 91st place in the globe out of 223 countries as far as aircraft movements is concerned.

Passenger movements in and out of BIA in 2013 was 7.3 million which is 3.2% growth. BIA handled 191 thousand metric tons of air freight. A total of 237 thousands metric tons of cargo were transported by air into (99 thousands metric tons) and out of (138 thousand metric tons) Sri Lanka through its two international airports showing an impressive overall growth of 26% compared to 2012. In this exercise MRIA loaded -18 thousand metric tons and unloaded- 27 thousand metric tons.

By the close of 2013, MRIA had handled a total of 1514 flight movements with 1170 international flights and 344 domestic flights. A total of 16,956 international passengers were handled with 2,201 arriving and 14,755 departing at MRIA. In addition, MRIA handled a total of 19,191 domestic passengers with 11,083 arriving and 8,018 departing. 20 thousands of metric tons of domestic air freight was handled at MRIA in 2013. SriLankan Airlines and Fly Dubai airlines maintained scheduled flights to MRIA during the year under review.

By the close of 2013, Sri Lanka was connected to 18 States with at least one direct scheduled flight per day. Out of all such direct daily international flights, 32% flights were to India, 13 % to UAE, 11 % Maldives, 7% to Singapore, 7 to Qatar, 6% to Thailand and 6% to Malaysia. Daily Connectivity to UK as a percentage of the total was 2%. Out of these countries, India, UAE, Maldives, Singapore, Qatar, Thailand and Malaysia had at least five direct connections per day.

Throughout the year 2013, the BIA maintained over 87.67% of on-time departures which is measured with a delay between 0 -15 minutes from the scheduled time of departure.

Hon. Minister of Civil Aviation attended the 38th Assembly of the International Civil Aviation Organization was held in Montreal from 24th September to 04th October 2013 with a high level delegation comprised of Deputy Minister of Civil Aviation, Secretary and a few others.

### Safety and Security Oversight

The primary function of the CAA is to conduct effective oversight on the industry to ensure safe, secured, efficient and regular operation of air transport services in Sri Lanka. In this respect, the CAA had to consistently strengthen the eight Critical Elements involved as outlined below.

### Primary Legislation

Since the primary aviation legislation relating to civil aviation was revamped in 2010, little amendments needed in 2013 for legislations. Cabinet approval was obtained for the ratification of the Montreal Convention 1999 and drafted legislations were submitted to the line Ministry after obtaining consent from the Attorney General, for presentation of the Bill in Parliament. Also the Ministry of Civil Aviation was educated of benefits of ratification of the Cape Town Convention on registration of mobile equipment.

## Operating Regulations

Steps were taken for promulgation of a comprehensive set of Regulations covering the entire gamut of activities in civil aviation with the technical assistance from the ICAO. The Project was approved by the Cabinet of Ministers and ICAO was requested to provide technical assistance under a special agreement signed between CAA and ICAO.

## Organizational Arrangements

Hon. Minister reconstituted the Board of Member in 2013. Two new Board members were appointed in lieu of the two members who completed their tenure. The Treasury nominated Director General, Public Finance as its representative to the Board. The Board met periodically to set policies and targets and monitor the work progress.

Development Planning and Implementation Group (DPIG) which consists of senior members of the management of the CAA met frequently in the year and reviewed for status of accomplishment of the CAA's mission.

The Management and operational documents of the CAA viz. Corporate Plan, Annual Work Programme, Master Training Plan, Annual Training Programme and Plan and Programme Budget was updated as required and submitted to the relevant government organizations.

Recruitment and retention of qualified personnel to perform CAA's primary functions was a major challenge by the CAA throughout. With a view to solving this problem, CAA submitted a comprehensive proposal involving revision of organizational structure, cadre and salaries to the Salaries and Cadre Commission for approval. The Salaries and Cadre Commission had approved the proposal with some amendments which unfortunately does not address the requirements and expectation of the CAA to solve its perennial problem.

Although the DCA, the predecessor of CAA was established as far back as in 1946, the DCA did not have a proper building to house its head office until it was abolished in 2002. Consequently both the DCA and CAA had been occupying different buildings at different times on rent. Ending to this problem, the CAA took a decision to construct its Head Office at a block land that it occupies at present at Naikanda, BIA. A Consultant was selected and engaged in design and construction supervision and by the close of 2013, the Consultant had completed preliminary designs. In 2013, the CAA completed construction of an office at MRIA for its official use. Initial steps were taken for construction of quarters/circuit bungalows on a block of land belonged to CAA at Weerawila for the use of CAA staff visiting MRIA for official duties.

Matters connected with Staff and Office Management of the CAA continued to be administered in conformity with the Staff Rules and Administrative Procedures Manual (SLCAP 5000) approved by the Cabinet of Ministers. Consequent to a subsequent decision taken by Cabinet that the contents in the Manual should be reviewed by a committee of senior officers headed by the General Treasury, the CAA submitted the revised Manual incorporating all revisions inclusive proposed organizational reforms for the review of the committee and work of the committee is in progress. The Treasury granted approval for the use of existing stipulations in the SLCAP 5000 until the revised document is approved by the Cabinet of Ministers.

### Personnel and Training

Due to nature, scope and the degree of responsibility and involvement of the regulatory services engaged in, the CAA has to have more executive positions (77) in its approved cadre which 167. Some vacancies in the technical positions could not be filled due to difficulty of finding suitable personnel for the salaries offered. Consequently some key positions were filled by taking personnel on contract on negotiated salaries to meet the exigency of services.

A total of 98 personnel took part at various overseas activities consisting of conferences (26), inspections (10), and meetings (30), seminars (5), training (18) and workshops (9).

## Guidance Material

The CAA issued a few new Manuals of Procedures for the guidance of the CAA staff as well as that of the industry personnel. A few of the existing manuals were reviewed and updated.

## Certification Tasks

Safe, secured, efficient and regular operation of air services depends primarily on the compliance of operators and their operational personnel with the applicable legislative requirements supplemented by international standards and best industry practices. This is achieved by subjecting all such personnel and organizations engaged in safety or security sensitive subjects in civil aviation to a comprehensive and systematic certification process.

Certification of the MRIA was assigned the highest priority in the work programme of the first quarter. After guiding and assisting the Aerodrome Operator to establish the necessary operational systems with frequent meetings, visits and inspections, the final Regulatory Audit was conducted for certification of MRIA. Post certification audit was also performed to verify rectification of certain deficiencies identified during the audit. Furthermore the CAA evaluated the status of Operational Readiness of the airport prior to commissioning. The details about organizations certified by the CAA in 2013 is recorded elsewhere in this report.

## Surveillance Tasks

In order to ensure continued conformance of the certified operators and personnel to the initial conditions and requirements imposed on them at the time of certification, regular surveillance is vital. In this respect the CAA conducted a regular surveillance on the certified operators under an annual surveillance plan. Details of surveillance performed by each section of the CAA under their surveillance plan appear elsewhere in this report.

## Enforcement Tasks

The effectiveness of the Safety Oversight System depends primarily on the effectiveness of enforcement action for identified deviations from the applicable requirements. With this objective in mind, the CAA's enforcement policy was adopted. For errors and inadvertent omissions, the CAA will work with the party involved for finding remedies for prevention of such events. For intentional violations of requirements the CAA, will implement deterrent actions.

The CAA has also embarked on a project to develop future man power needs for aviation. As a move forward, the CAA has established a Civil Aviation Development and Education Committee (CADEC) to develop awareness of school children in aviation. During this year sixteenth Aviation Awareness programmes have been conducted in schools. The quarterly education magazine, 'Guwansara' published by the CAA with the view to enhance the knowledge of school children in the field of aviation is being distributed on complimentary basis, to 3100 schools which conduct G.C.E (A.L) classes.

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 regulate safety, security, efficiency and regularity in civil aviation and its impact on environment in conformity with the applicable International Standards and Recommended Practices adopted by the International Civil Aviation Organization (ICAO) under the legislative provisions in the Civil Aviation Authority of Sri Lanka Act No.34 of 2002 and Civil Aviation Act No.14 of 2010 whilst steering the sector 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 other three members of the CAASL ex-officio. The Chairman and Vice Chairman of the CAASL are appointed by the Hon. Minister in charge of the subject of civil aviation. The Director General of Civil Aviation appointed by the Cabinet of Minister is the Chief Executive Officer of the CAASL by statute.

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

The Authority is subject to general 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 CAASL

### Members appointed by the Minister

General Rohan De Silva Daluwatte (Chairman)

Mr J M S W Jayasundara (Vice Chairman)

Mr. Zaki Alif (Member)

Mr. K V N Jayawardene (Member) -Up to 13th May 2013

Mr Dinesh Gallage (Member) -Up to 13th May 2013

MR L D S Balasuriya Member - from 1st September 2013

Mr A W Sadiqul Ameen (Member) - from 1st September 2013

Members - ex-officio

Secretary, Defence (Mr Gotabaya Rajapaksa)

Representative of the Ministry of Finance (Mr W I Tissera) -Up to 16th October 2013,

Mr. P. Algama, Director General, Public Finance-From 17th October 2013

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

## **GENERAL ROHAN DE SILVA DALUWATTE - Chairman** **WWV, RWP, RSP, VSV, USP, LOM, ndc, psc**

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.

### **MR J M S W JAYASUNDARA - Vice Chairman**



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 and Urban Development – (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) up to 16th October 2013**



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. 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 K V N JAYAWARDENE** **Member – up to 13th May 2013**



Mr. Jayawardene enrolled himself as an Attorney-at- Law of the supreme court of Sri Lanka in 1983 and was awarded the Masters Degree in Public International Law by the University College London after successful completion of the Course, specializing 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 and the Civil Aviation Bill. 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. ZAKI ALIF** **Member**



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** **Member – Up to 13th May 2013**



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).

## **MR A W SADIQUL AMEEN**

**Member – from 1st September 2013**



Mr A W Sadiqul Ameen had his early education at Nasriya Central College, Chilaw and he pursued higher studies at Faculty of Law, University of Colombo and Sri Lanka Law College.

Mr Ameen is the Director (Legal) in S D R Jayarathne Foundation and is the Vice President of Old boys Association of Nasriya Central College.

## **MR L D S BALASURIYA**

**Member - from 1st September 2013**



Mr L D S Balasuriya is a retired Engineer. He is the founder Chairman of Lanka Knitwear (Pvt) Ltd- a BOI Company and Samsico Apparels (Pvt) Ltd.

Mr Balasuriya is the Managing Director of Samsico Exporters, a company dealing with export of coconut fibre and allied products.

## **MR PRIYANGA ALGAMA**

**Representative of the Ministry of Finance (Member Ex-Officio) - from 17th October 2013**



Mr Priyanga Algama is the Director General of the Department of Public Finance, Ministry of Finance and Planning. He has served in various capacities as a Deputy Director / Director of Department of National Budget (2000-2007), Director of the Department of Public Enterprises (2012), and as a Senior Finance Officer of the shared Services of the Queensland Government (2008-2012).

He possess the Master of Business Administration by Nanyang Technology University, Singapore and MIT Boston, USA. He is also an Associate Member (ASA) of CPA Australia.

Mr Priyanga Algama was appointed to the Board of Directors of CAA by the Secretary to the Treasury as a non independent and non executive Director, effective 8th October 2013.



# 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 country's civil aviation sector;

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 and updating the CAA Corporate Plan to reflect the government's objectives in the civil aviation sector, as applicable;

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;

Being accountable to the Hon Minister on plans and progress towards the implementation of the CAA Corporate Plan 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.

### Executive Powers of 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 and design and implementation of development plans. Each committee has been delegated powers for establishing and monitoring the organization's progress towards meeting the objectives of the Authority and achieve set targets and goals. Notwithstanding the delegation of powers and function to any of the following committee, the Board may continue to exercise powers on any or all such matters as deemed necessary.

## STAFF COMMITTEE

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

- Adoption of an organizational structure and modification thereto as and when necessary;
- Determination of salaries and cadre;
- Staff matters pertaining to selections, recruitments, appointments, promotions, demotions, retirements / terminations etc
- Staff disciplinary actions;
- Updating the CAA Corporate Plan
- Monitoring the Annual Work Programme of the CAASL;
- Development of Administrative Rules and Procedures for CAASL;
- Development of Disciplinary Procedures for CAASL Staff;
- Development of Office Procedures for CAASL;
- Grant of approval for staff overseas training and Grant of scholarships for CAASL Staff;
- Grant of approval for acquiring movable or immovable properties and/or planning and development of such properties;
- Development of compensation schemes for premature retirement or separation for DCA staff, and Development of social and welfare schemes for CAASL staff.

## The Staff Committee comprises the following Members of the CAASL

- General Rohan De Silva Daluwatte, Chairman
- Mr Sarath Jayasundara, Vice Chairman
- Mr. H M C Nimalsiri, DGCA/CEO
- Mr. K V N Jayawardene, Member –up to 13th May 2013
- Mr L D S Balasuriya –from 10 Oct 2013

## FINANCE COMMITTEE

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

- Preparation of Annual Budget Programme;
- Development of Financial Rules and Procedures for CAASL;
- Monitoring the purchase of properties, equipment, facilities or services;
- Monitoring the avenues of revenue of the CAASL ;
- Development of Rules and Procedures relating to Procurements and monitoring such matters;
- Authorizing payments exceeding Rs.10,000,000 million;
- Granting approval for write off for any item;
- Thrift Management in CAASL.

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

- General Rohan De Silva Daluwatte, Chairman
- Mr. H M C Nimalsiri, DGCA/CEO
- Mr. Ivan Tissera, Representative of the Ministry of Finance

## PLANNING COMMITTEE

The Planning Committee is responsible for the following matters:

- Development of National Civil Aviation Policy;
- Development of a National Civil Aviation Development Plan;
- Review of Primary and Subsidiary Legislation relating to Civil Aviation and introduce amendments, where necessary;
- Monitoring the implementation of National Civil Aviation Security Programme
- Monitoring the implementation of National Air Transport Facilitation Programme;
- Monitoring Civil Military Co-ordination;
- Monitoring Air Service Operations, and
- 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:

- Determination of the responsibility of the Internal Audit Unit and review the annual audit plan;
- Review and evaluate internal control systems for all activities of the entity;
- Review performance at regular intervals to ensure cost effectiveness and to eliminate wasteful expenditure etc;
- Liaise with external auditors and follow up on Auditor General's management letters;
- Ascertain whether statute, regulations, rules and circulars are complied with;
- Review financial statements to ensure compliance with accounting standards;
- Review internal audit / external audit reports, Management letters for remedial action;
- Review implementation of recommendations/ directives of the Committee on Public Enterprises;
- Prepare report on the findings of the Committee for inclusion in the Annual Report and
- 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

- Mr. Ivan Tissera ,Chairman (Treasury Rep)
- Mr Sarath Jayasundara, Vice Chairman
- Mr L D S Balasuriya, Member
- Mr S Ameen, Member
- Mr Rohan Senevirathne, Member
- 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).

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

### Members;

- Ms. Dulanjali Mapitiyage
- Ms. C.H Kodithuwakku
- Mr. Nilantha Thennakoon
- Mr. T.M.Y.B Tennakoon
- Ms. G.E Millawithanachchi
- Mr. M.H.I.K Gunawardane
- Mr. S.P.B Wattewewa
- 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

The Senior Management headed by the Chief Executive is concerned with implementing these high-level policies and strategies.

The Authority stands apart and does not have responsibility for the discharge of specific regulatory obligations cast on specifically on the Director-General of Civil Aviation in terms of the Civil Aviation Act No.14 of 2002, the Air Navigation Act or Regulations made thereunder or any other written law. However, the Authority will provide all resources which includes but not limited to personnel, equipment, facilities and services that are required by the Director General of Civil Aviation to discharge such regulatory obligations.

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 Corporate 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 organizational 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 through the Director General of Civil Aviation and Chief Executive Officer.

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 organization 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 organizations 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.



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# CIVIL AVIATION AUTHORITY OF SRI LANKA

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## 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 and national legislative requirements.

## Motto

"Safe Skies for All"

## Philosophy

"Sri Lanka's airspace is a public asset to be managed for the progress and wellbeing of its prosperity of posterity".

## Goals

- To achieve or exceed safety and security 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;
- To maintain prominent degree of compliance with the international standards and recommended practices 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 in conformity with the applicable international standards and recommended standards;
- 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 support minimizing delays in on-time departures;
- To enable air travel affordable to people of average class;
- To encourage improving the quality of service in air travel;
- To facilitate minimizing congestion and expedite passenger processing at airports, whilst being mindful of the security requirements;
- To help minimizing operational costs in the air transportation and eliminate waste;
- To help minimizing adverse effects of aviation on the environment and To educate school children on the potential benefits of civil aviation

- Fulfillment of the State's international obligations in the field of civil aviation and constant implementation and enforcement of international standards and recommended practices registering very high level of effective implementation of SARPS;
- International recognition of the civil aviation system of Sri Lanka which is free from embargoes / restrictions and avoidance Significant Safety Concerns being raised by the ICAO against the State's aviation system 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 wellbeing 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 by air;
- Dependable services in the field of civil aviation;
- Education of school children 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
Policy Advice	Advise the Government & other organizations Legislative Reforms Development of Rules Development and promulgation of Implementing Standards Development of Aviation Policy Development of manuals of procedures Master planning of aviation infrastructure
Safety Assessment	Risk management of: Airport/Airfield sector safety; Airlines sector safety; General aviation sector safety; Personnel licensing safety; Flying training safety; Aircraft maintenance safety and Aviation services sector safety risk management.
& Certification	Safety investigation Safety analysis Safety information, education and promotion Aircraft Accident & Incident Investigations and implementation of safety recommendations
Safety Analysis, Information and Promotion	Airline schedule approval Airfare approval Travel agent certification Registration of aircraft Authorization for import of aircraft spare parts Authorization of tall structure constructions Authorization for GSA Designation of local carriers for international operations
Authorization	Civil aviation sector security risk management
Security Assessment	Responses to regulatory breaches Enforcement of public health and hygienic requirements
Enforcement Assistance to the Government	Collection of embarkation levy from Airlines

## Regulatory Scope

By the end of 2013 the Regulatory Scope of the Civil Aviation stood as follows

Regulated Area	2013	2012	Increase (%)
<b>Airports</b>			
Domestic Land Airports	12	12	-
Domestic Water Aerodromes	12	15	-20%
International Airports (With RMA)	03	02	50%
<b>Airlines</b>			
Local Airlines engaged in domestic air services	06	06	-
Local Airlines engaged in international air services	03	03	-
International Foreign Airlines	24	30	-20%
<b>Training Organizations</b>			
Flying Schools	05	06	-16%
Engineering/Maintenance Schools	05	03	66%
Air Traffic Service related	01	01	-
<b>Aeronautical Service Providers</b>			
Aerodromes	01	01	-
Air Traffic Services	01	01	-
Aeronautical Ground Aids	01	01	-
Aeronautical Telecommunication Services	01	01	-
Aviation Security Services	01	01	-
Ground Handling Services	01	01	-
Catering Services	01	01	-
Aircraft Refueling & Lubricant supply	01	01	-
Maintenance & Repair	01	01	-
<b>Aircraft</b>			
H (Heavy) aircraft types of 136 000 kg (300 000 lb) or more;	14	14	-
M (Medium) aircraft types less than 136 000 kg (300 000 lb) and more than 7 000 kg (15 500 lb); and	18	16	12%
L (Light) aircraft types of 7 000 kg (15 500 lb) or less	31	32	-3%
<b>Flying Training Devices</b>			
Local full flight Simulators-A320	01	01	-
Foreign based full flight Simulators	05	06	-16%
<b>Personnel</b>			
Student Pilot Licence Holders	231	202	19%
Private Pilot Licence Holders	123	146	-16%
Commercial Pilot Licence Holders	339	325	4%
Air Transport Pilot Licence Holders	498	319	56%

<b>Regulated Area</b>	<b>2013</b>	<b>2012</b>	<b>Increase(%)</b>
Air Traffic Control Licence	74	76	-3%
Aircraft Maintenance Engineer Licence Holders	5	175	-97%
Air Craft Maintenance Licence Holders	474	397	19%
Flight Dispatcher Licence Holders	189	175	8%
Aeronautical Station Operator Licence Holders	04	04	-
Cabin Crew member certificate Holders	1186	1134	4%
Flying Instructors	05	20	-75%
Assistant Flying Instructors	09	17	-47%
Ground Instructors	23	22	4%
Flight Examiners	12	08	50%
Designated Check Pilots	34	32	6%
Designated Aeronautical Medical Examiners	05	06	-17%
Certified Aviation Security Screeners	504	470	7.2%
<b>Air Transport Service Providers</b>			
Global Distribution Service Providers	4	4	-
Air Transport Service Provider Licence –Group A	493	425	16%
Air Transport Service Provider Licence –Group B	19	25	-24%
General Sales Agents	22	32	-31%
<b>High Rise constructions</b>			
Telecommunication towers	6090	5871	3.7%

## DIRECTION AND MANAGEMENT

### THE AUTHORITY AND ITS COMMITTEES BOARD MEMBERS

Honorable Minister of Civil Aviation appointed the members to the Board of the Civil Aviation Authority in terms of powers vested in him under the CAASL Act 34 of 2002. General Rohan Daluwatte and Mr J M S W Jayasundara, were appointed as the Chairman and Vice Chairman respectively.

### CAASL Meetings

The Civil Aviation Authority of Sri Lanka held nine (09) Authority meetings during the period under review and passed Three hundred and thirteen (313) resolutions for the progress and well being of both the CAASL and the civil aviation industry that it regulates. The Staff Committee of the CAASL met three (03) times and Audit Committee of the CAASL met four (04) times during the period under review.

## Accident Investigation Unit

The year 2013 was another accident free year for both Sri Lanka and foreign registered aircraft within the territory of Sri Lanka.

In 2013, the CAASL continued collecting data relating to accident and/or incidents involving either Sri Lanka registered aircraft or foreign registered aircraft that are operated into or out of Sri Lanka. The CAASL used its Mandatory Occurrence Reporting System which is coupled with European Coordination Centre for Aviation Incident Reporting System (ECCAIRS) which ICAO has recognized and recommended for States to use for data collection and sharing. ECCAIRs system version 4 which was upgraded to version 5 in 2013.

There was one serious aircraft incident involving a tail strike of Sri Lanka registered A-340 aircraft at BIA and 185 occurrences reported to the CAASL in 2013. Of all occurrences, 178 were in respect of Sri Lanka registered aircraft whilst the balance 7 were relating to foreign registered aircraft operated into or out of Sri Lanka.

There were 49 Bird Strikes with aircraft reported either within Sri Lanka airspace or overseas in respect of Sri Lanka registered aircraft. Out of these numbers, 30 bird strikes occurred (Strike rate 0.0006) at BIA whilst 3 bird strikes occurred at MRIA. Compared to Bird Strikes reported at BIA in 2012 which is 16 (strike rate 0.0003) in total, the Bird Strikes at BIA in 2013 shows 88% increase representing 1 Bird Strike for every 1667 flights which requires immediate attention of the Airport Operator.

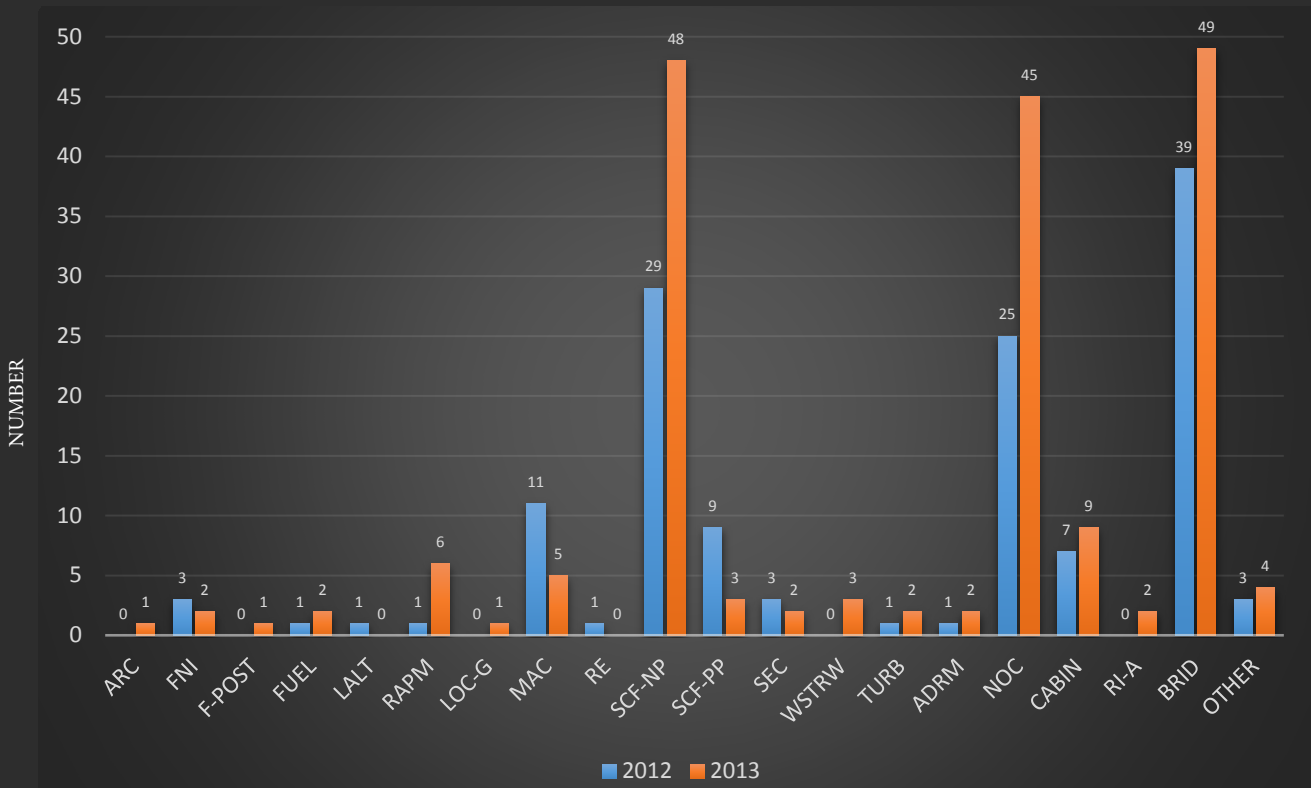
There were 48 System/Component failures or malfunctions in aircraft operated into and out Sri Lanka. A total of 45 ATM/Communication related events were reported in 2013 were 40 events were involving 'no contact' with ATS units with the highest number of 27 reported within Bombay FIR.

Following the underwater recovery of the wreckage of the aircraft by Sri Lanka Navy, the Authority reopened the investigation on missing Lion Air flight LN 602, AN-24 aircraft which disappeared from the ATC Radar screen, while climbing over Iranian area on route from Palaly to Ratmalana Airport on 29th September 1998. The investigation was reopened with the initiation of an inquiry by the Terrorist Investigation Division (TID) of Sri Lanka Police. The Final Report of the accident has been drafted.

The CAA was able to train one of its Investigators in France under the agreement with BEA (Aircraft Accident Investigation Bureau) of France for the conduct of aircraft accident investigations.

A feasibility study was conducted for setting up an insurance cover for aircraft accident investigations in mid sea and in view of high cost of insurance premium and low probability of

### All Aircraft Occurrences Reported in 2012 & 2013





## Abbreviation

ARC	:	Abnormal Runway
F-NI	:	Fire/smoke (non-impact)
F-POST	:	Fire/smoke (post-impact)
FUEL	:	Fuel related
LALT	:	Low altitude operations
RAMP	:	Ground handling
LOC-G	:	Loss of Control - ground
MAC	:	Airprox/ACAS alert/loss of separation/mid-air collision
RE	:	Runway Excursion
SCF-NP	:	System/component failure or malfunction (non- power plant)
SCF-PP	:	Power plant failure or malfunction
SEC	:	Security related
WSTRW	:	Windshear or thunderstorm
TURB	:	Turbulence encounter
ADRM	:	Aerodromes
NOC	:	No Contact
CABIN	:	Cabin safety events
RI-A	:	Runway Incursion - Animal
BIRD	:	Bird strikes
OTHER	:	Other

## INTERNAL AUDIT SECTION

The internal audit section has, through the involvement of the management of the CAASL, 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 the CAASL. 33 audits were carried out during the year 2013 including 07 technical audits and 09 financial audits.

Figure : 01

### SECTION HIGHLIGHTS

Section	No. of reports	No. of findings	No. of suggestions
Finance management	09	81	03
Human resource and office management	08	28	06
Air transport and legal affairs	03	05	04
Airworthiness	01	03	00
Operations	01	04	01
Special projects	01	08	00
Personnel licensing	01	02	00
Other	06	15	01
Total	30	146	15

Figure 2: Comparison with year 2012

Year	No. of audits	No. of findings	No. of suggestions
2012	34	50	08
2013	33	146	15

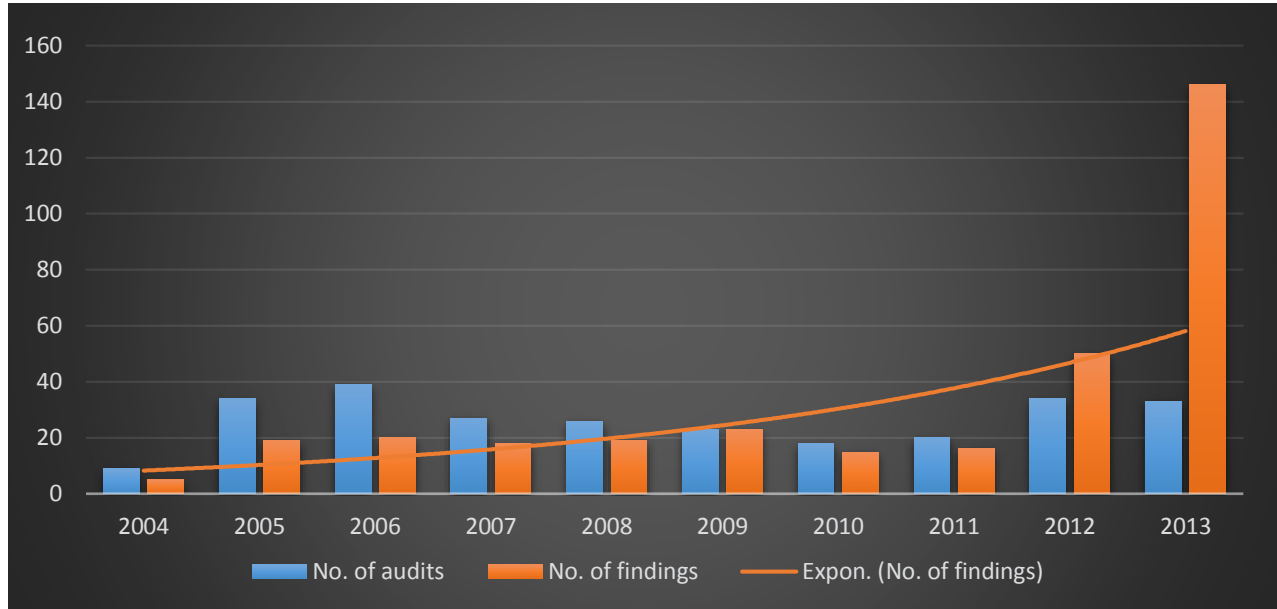


Figure 3: No. of audits carried out and no. of audit findings from year 2004-2013

## AERONAUTICAL SERVICES DIVISION

### AVIATION SECURITY SECTION

In the year 2013, Aviation Security Section carried out regulatory functions in accordance with the approved Surveillance Plan 2013 as follows.

Aviation Security Audits	- 01
Inspections	- 21
Reliability Tests	- 01

In addition to the above activities, the Aviation Security Section assisted the Presidential Security Unit to perform aircraft inspections on 10 different occasions.

### AVIATION SECURITY TRAINING

The Aviation Security section helped the Presidential Security Division by conducting a comprehensive training programme on aircraft search procedures for 25 Police officers of the Presidential Security Division.

Awareness presentations were conducted for the Indian and Sri Lankan Prison officers on the International Standards, Terms & Conditions need to be adhered, during transportation of prisoners by air.

Awareness presentation was also conducted on the amendment number 13 of Annex 17 "Aviation Security" for the industry.

### CERTIFICATION

The Aviation Security Inspectors participated at the certification process for certification of aviation security arrangements of MRIA which was commissioned on 18th March 2013.

The certification and re certification of screeners of AASL and Sri Lankan Airlines and instructors of AASL continued in the year under review as follows.

Certification of screeners	- 122
Certification of instructors	- 01
Re certification of screeners	- 349

### APPROVAL FOR CARRIAGE OF MUNITIONS

Pursuant to the applicable provisions in the Air Navigation Regulations and International Standards and Recommended Practices, 88 approvals were granted for carriage of munitions in the cargo hold and 51 approvals for carriage on board in VVIP/VIP flights engaged in international travel.

### AVIATION SECURITY MEETINGS

Staff attached to the Aviation Security Section attended five aviation security related meetings held overseas in 2013.

The staff of Aviation Security Section involved in the aviation security arrangements in connection with CHOGM held in November 2013 by deploying its officials at BIA & MRIA to facilitate efficient handling of visiting guests.

### INFRASTRUCTURE DEVELOPMENT

In the year 2013, the Civil Aviation Authority has taken steps for the construction of necessary office buildings and quarters for the CAASL staff which was a long overdue requirement. The Special Projects Section has taken a major role in planning, organizing and supervising of those constructions.

#### CONSTRUCTION OF OFFICE BUILDING AT MRIA

With the commissioning of the airport on 18th March 2013, CAA had to extend its regulatory functions to cover aviation activities at Mattala Rajapaksa International Airport (MRIA). Consequently, the CAA took steps for establishment of its office at MRIA having commenced construction of an office building in June 2013 for the use of CAA inspectors to be stationed at MRIA. The office is expected to be opened in the first quarters of 2014.

#### CONSTRUCTION OF HEAD OFFICE BUILDING FOR CAA

CAA, which succeeded the DCA in 2002 did not have a permanent building since establishment of the DCA in 1946. As such both DCA and CAA had been occupying buildings on rent at significant costs at different places at different periods. Since the buildings were on rent, CAA could not create an efficient working environment with required facilities and services on permanent basis to suit its operating ambience, which is more of an international nature.

Therefore CAA decided to construct a State-of-the Art building with all required facilities and services providing adequate space to accommodate all of its major activities bringing a solution to a serious deficiency that existed for over the past 60 years. The CAA decided to use a block of land at BIA for this purpose with the approval of the Hon. Minister of Civil Aviation and General Treasury, using its own funds.

The CAA selected a Consultant for the Design and Construction Supervision of the proposed building through open bidding process channeled through a Ministerial Procurement Committee (MP) in compliance with the Government Procurement Guidelines. The CAA mobilized the Consultant in designing the building in November 2013. It is planned to complete the construction of Head Office building in year 2016.

#### CONSTRUCTION OF QUARTERS/BUNGALOWS FOR CAA STAFF AT WEERAWILA

With the expansion of safety and security oversight activities at MRIA, permanent accommodation facilities for the CAA staff engaged in such activities at MRIA became a strongly felt need. Therefore action was taken to construct two numbers of two storied buildings with 4 bedrooms in each at Weerawila for use of CAA staff. Procurement process was completed in 2013 for the selection of a contractor for Design and Construction. It is proposed to complete construction of the quarters/bungalows by October 2014.

#### ANNUAL OUTDOOR WORKSHOP

Three day residential Staff Outdoor Workshop was conducted on 25, 26 and 27 of October 2013 at the Royal Lotus Hotel, Girithale under the theme of "increasing the productivity by developing inter personal relationships". The workshop was attended by the Chairman, Vice Chairman, DGCA and majority of the CAA staff totaling to 113. The Chairman of Sri Lanka Foundation Prof.

Ranjith Bandara and two other resource personnel helped conducting in-house programme held on 26th. The participants were also given a demonstration on the operation of a hot air balloon in addition to short description of the activities being handled by Airworthiness Section of the CAA on the 25th.



## DEYATA KIRULA NATIONAL EXHIBITION

CAASL exhibited a stall at the 5th Deyata Kirula Exhibition held at Hadi Institute, Ampara in February 2013 for 10 days.

In addition, the Section played a major role on behalf the CAA, in completion of the construction of partly built Dharmasalawa in Walagampura temple in Ampara District in connection with Deyata Kirula National exhibition 2013 under the CAA's Corporate Social Responsibility at a cost of Rs 2.7 million.

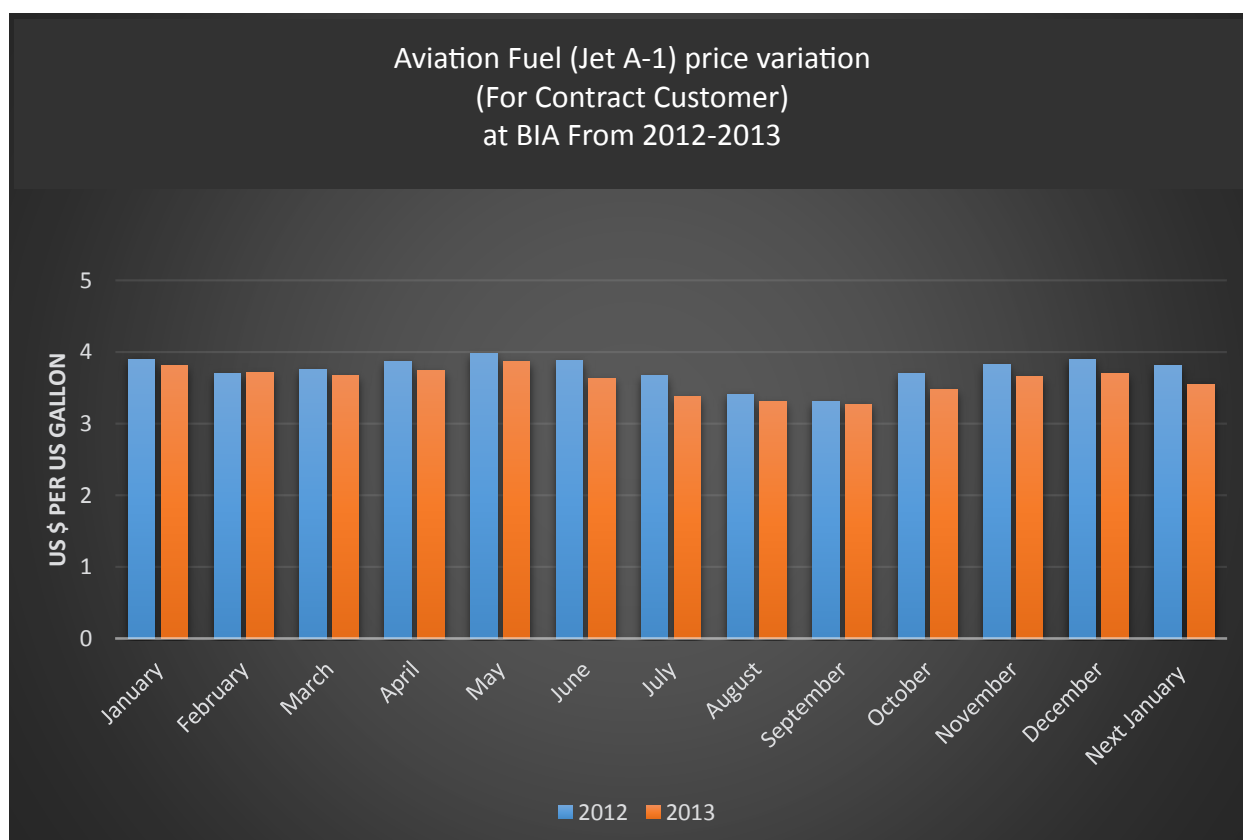
## ADMINISTRATIVE SUPPORT TO CAPSCA-AP ASSISTANCE VISIT

Five member team of ICAO sponsored CAPSCA (Collaborative Arrangement for the Prevention and Management of Public Health Events in Civil Aviation- Asia Pacific) undertook a mission to Sri Lanka from 28th to 29th May 2013 to create awareness among local aviation and public health stakeholders of ICAO and WHO requirements and guidelines involving public health emergency (PHE) preparedness plans in the aviation sector, evaluate the current provisions at BIA and provide recommendations for improvements, where necessary.

40 officials from different institutions viz, Ministry of Civil Aviation, Ministry of Health, CAA, airport operator, air navigation services provider, airport medical officers, security, customs and immigration and airline representatives took part the Awareness Creating Programme, which ended with the agreement for establishment of a National Public Health Emergency Programme involving international civil aviation.

## 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 2013.



Source: Ceylon Petroleum

## PUBLICATIONS/REPORTS

The Annual Report-2012 was compiled and submitted to the relevant authorities within the established time frame in accordance with the Civil Aviation Authority Act No 34 of 2002.

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

## CIVIL AVIATION AWARENESS PROGRAMME

The CAA has also embarked on a project to develop future manpower needs for aviation. As a move forward, the CAA has established a Civil Aviation Development and Education Committee (CADEC) which is functioned under the Special Projects Section to create awareness of school children of potentials of aviation in the socio economic development of a country and accompanying career prospects. During the year under review 16 Aviation Awareness programmes were held in schools located at Anuradhapura, Ampara, Colombo, Galle, Hambantota, Kurunegala, Monaragala and Puttlum districts.

Four (4) issues of the quarterly Aviation Education Magazine, 'Guwansara' published by the CAA with a view to creating enthusiasm in school children and enhancing their knowledge in the field of aviation. These magazines have been distributed on complimentary basis, in 3100 schools and it has become popular and received a wider recognition amongst recipients.

An essay competition on the topic of "Contribution of Mattala Rajapakse International Airport to the growth of National Economy" was conducted amongst Civil Aviation Clubs which the CAA has established in Schools Islandwide. Prizes were distributed amongst winners.

## AERODROMES & NAVIGATION SERVICES SECTION

### THE AIRSPACE MANAGEMENT

A&NS Section continued improving the safety & efficiency of navigable airspace of Sri Lanka and the Lanka by the International Civil Aviation Organization (ICAO) (area approximately 625000 Square Nautical Miles) in this year too in order to provide a safe and efficient Air Traffic Service within the airspace.

In order to achieve this objective this year in particular the section has taken every possible effort to implement Performance Based Navigation (PBN) which is a Satellite based Navigation technology recommended by ICAO, within the airspace allocated to Sri Lanka in coordination with the State's Air Navigation Services Provider, Airport & Aviation Services (SL) Limited and Ministry of Civil Aviation. For this purpose the section is closely working with the ICAO Flight Procedure Programme which was established by ICAO to assist States for the regional implementation of PBN.

### APPROVAL OF INSTRUMENT FLIGHT PROCEDURES

The section is responsible for the authorization of flight procedures designed by the Air Navigation services Provider Airports and Aviation Services (SL) Ltd. During the year 2013 section has approved 3 instrument approach procedures, 10 Standard Instrument Departure Procedures, 10 Standard Instrument Arrival Procedures and aeronautical charts for the Mattala Rajapaksa International Airport.

### REGULATIONS FOR THE CERTIFICATION OF WATER AERODROMES

In the beginning of this year it was observed that the requests from local aircraft operators for the operation of float planes in to inland water bodies have considerably increased. As such the section has prepared regulations for the certification of Water aerodromes and obtained the views/comments of the stake holders before finalizing the regulations. In addition the section has taken steps to conduct a study to assess the environmental effect incurred to water bodies by operating float planes in to those water bodies. The section has made arrangements to conduct this study with NARA Initially for Mahawali Water Bodies.

### AERODROME CERTIFICATION AUDIT – MATTALA RAJAPAKSA INTERNATIONAL AIRPORT (MRIA)

Before a new international airport is opened for aircraft operations the Civil Aviation Authority, the regulator for Civil Aviation has to certify the aerodrome as per the requirements of ICAO. In order to do this the section has conducted a 5 day audit at MRJA from 04/03/2013 to 08/03/2013 to ascertain whether the aerodrome operator has implemented necessary safety requirements as per the international and local requirements for the safe operation of aircraft at the airport. At the end of the audit after taking proper action to correct the deficiencies observed during the audit the Airport was certified on 18th March 2013 and the airport was opened.

### AIR TRAFFIC SERVICES

The Section conducted 32 ATS surveillance inspections covering Ratmalana Area Control Centre, BIA Approach Control Centre and Control Towers at BIA, RMA and RMJA.

## AERODROMES

The Section conducted 35 aerodrome surveillance Inspections at BIA, RMA and MRIA. In addition the section has conducted 4 inspections on water aerodromes and seven 7 inspections on heliports.

## AERONAUTICAL INFORMATION SERVICE

The section has conducted 19 surveillance inspections on Aeronautical Service Centres at BIA and MRIA.

The deficiencies observed during regulatory surveillance inspections were notified to the Airport & Aviation Services (SL) Ltd., which is responsible for the provision of Air Navigation Services and operation of Civil Airports in Sri Lanka, for necessary rectification action.

## OVERFLYING AND LANDING PERMISSIONS

During year 2013 CAASL granted for 27,781 flights to overfly Sri Lanka and 27,082 flights to land at BIA. Compared to aircraft fly over Sri Lanka in 2012 which is 24,061, there has been an increase of 13% of flights traversing through Sri Lanka air space in 2013. Opening of MRIA has contributed to this increase as it is identified by many foreign airlines as an adequate and suitable alternate airport for landing in case of an emergency.

## FLIGHTS OPERATED FOR CHOGM

The Section played a major role in granting permissions for special flights operated for CHOGM by running a 24-hour functional operations room at BIA during CHOGM period.

## AERIAL WORK BY HELICOPTERS

Several commercial helicopters have engaged in aerial work operations such as aerial photography, aerial video filming, and aerial surveys for electronic imaging, flower drops, leaflet drops and brand promotional work for advertising purposes of corporate establishments. The section has issued 31 approvals for such flights in coordination with other relevant agencies during year 2013.



## OTHER ANS RELATED ACTIVITIES

Further, the section is responsible for the issuance of height clearances for the construction of high rise structures as per zoning regulations, investigation of Air Traffic incidents and make recommendations to the service provider for corrective actions, testing of Air Traffic Controllers (ATCs) for the issuance of ratings and conducting their other tests in order to maintain their standards and approval of the components included in Aeronautical Information Publication (AIP) Package when issuing and amending.

The statistics of above activities conducted by the section are given below;

Approvals for construction of high rise structures.	312
ATC incidents investigated	02
ATC rating test conducted	23
ATC Simulator test	45
Language proficiency Test	66
Radio Telephone Test carried out	43
Approvals for issuances of NOTAM	186
Issuance of Aeronautical information Circulars	07
AIP Supplement Issued	06
AIP amendment issued	01

## FLIGHT SAFETY DIVISION

### PERSONNEL LICENSING SECTION

Personnel Licensing Section continued with its process of licensing of personnel engaged in aviation and some of the main activities performed in the year under review are as follows.

#### CERTIFICATION OF NEW TRAINING SCHOOLS.

Personnel Licensing Section commenced processing of applications from five organizations for setting up of flight training facilities in Sri Lanka. They are Cinec Maritime Campus, Sri Lankan Airlines Flying Training Organization, South Asian Services Type Rating Training Organization, F- Airways and Millennium Flight Academy.

#### LICENCE INFORMATION MANAGEMENT SYSTEM

The Personnel Licence Information Management System which was developed with the technical assistance from the University of Colombo School of Computing to manage issuance of Personnel Licences through an automated system was released for operation on trial basis. The System enables the licence holders to log on to the system, create their own profile and upload the applications to the system and once received at CAA, applications are processed through the system. The system once put into normal operation will cut down the processing time and minimize the need for 'person to official' direct interactions.

#### FLYING SCHOOLS / AVIATION TRAINING ORGANIZATIONS/ DESIGNATED HOSPITALS

The Personnel Licensing Section conducted ten (10) regulatory surveillance activities on Aviation Training Organizations & Designated Hospitals.

#### PARTICIPATION IN INTERNATIONAL SYMPOSIUM

One inspector from the Personnel Licensing Section attended Multi Crew Pilot Licence (MPL) Symposium in Montreal convened by International Civil Aviation Organization.

#### DESIGNATION OF NEW CIVIL AVIATION MEDICAL EXAMINERS FOR AERO MEDICAL UNIT

Civil Aviation Authority of Sri Lanka designated two new Medical Examiners to conduct medical examinations on personnel who are required inter-alia to prove medical fitness to qualify for Personnel Licences.

#### FLIGHT INSTRUCTOR COURSE

The section granted approval for Assistant Flight Instructor training programme submitted by Cosmos Aviation (Pvt) Ltd for training of Assistant Flight Instructors.

## RECRUITMENT OF FOREIGN PILOTS

At the request of SriLankan Airlines, Mihin Lanka, Fits Aviation and other domestic airlines, the Section granted approvals for employment of 41 foreign pilots to support their operations, due to absence of sufficiently skilled local pilots.

## MEDICAL EXAMINATION / MEDICAL BOARD MEETINGS

The Section conducted 198 Initial Medical Examinations and 760 recurrent Medical Examination for issue of licences to pilots and Air Traffic Controllers, during the year under review. The Aero Medical Board held 04 meetings throughout the year to resolve borderline cases involved in Medical fitness.

## GREEMENT WITH DESIGNATED HOSPITALS

The section renewed agreement with designated hospitals of Durdans Hospital, Asiri Surgical Hospital and Lanka Hospitals for conduct medical investigations for Pilots and Air Traffic Controllers. The Section also commenced processing of applications from Hemas Hospital, Negombo Road, Wattala and Nawaloka Hospitals Ltd. to provide such services. Once approved, these hospitals would expand the options available to applicants for Pilot and ATC licences to do the medical tests.

## CIVIL AVIATION MEDICAL EXAMINER'S WORKSHOP

Personnel Licensing Section organized a one day workshop on Civil Aviation Medicine and discussed a few medical issues and ICAO Annex 1 requirements for medical examination. Members of the Civil Aviation Medical Board participated at the workshop.

## RECOGNITION OF MILITARY EXPERIENCE FOR ISSUANCE OF CIVIL PILOT LICENCE.

An inspection was carried out by a panel of experts, appointed by DGCA on Sri Lanka Air Force Flying Training Wing, China bay to ascertain flying training standards against the ICAO Annex 01 requirements for recognition of such training for issue of civil pilots' licences. The results of the evaluation was forwarded to the Commander, Sri Lanka Air Force for information and necessary action.

## REFRESHER TRAINING FOR FLIGHT TEST EXAMINERS

The Section organized a refresher training for Flight Test Examiners. All designated Flight Test Examiners participated at this training. The training was helpful for the participants not only to refresh their knowledge but to share their experience.

## DEVELOPMENT OF SYSTEM FOR COMPUTER BASED AML EXAMINATION

Personnel Licensing Section has initiated system for a Computer based AML Examination. As the first part, section has purchased a question bank for all 12 modules from the Joint Aviation Authorities, European Union. Formatting & evaluation of questions were commenced and work is in progress.

## CMA ACTIVITIES

The Section is responsible for effective implementation and monitoring of 101 ICAO SARPS and the Level of Implementation of SARPs is 99.44%. For this purpose the Section has provided satisfactory answers to 71 Protocol Questions and 06 Protocol Questions are under review.

## OPERATIONS SECTION

### REGULATORY DEVELOPMENT

Pursuant to the Civil Aviation Act No. 14 of 2010, the Operation Section has issued Implementing Standards (IS) giving effect to implementation of Annex 6 Part II - International General Aviation – Aeroplanes and specifying requirements relating to Electronic Flight Bag and Performance Based Navigation (PBN).

### CERTIFICATION OF MATTALA RAJAPAKSE INTERNATIONAL AIRPORT (MRIA)

The Section took part at the certification of the Mattala Rajapakse International Airport focusing attention on matters connected with Flight Operations and Ground Handling.

### CERTIFICATION OF AIR OPERATORS

In 2013 the Operations Section issued an Air Operator Certificate (AOC) to Saffron Aviation to engage in domestic air service operation using two Amphibian aircraft.

The Section also evaluated applications of Skylark Aviation and F-Airways for grant of Air Operator Certificate to engage in domestic air services. The Section received two more applications from IWS Aviation and FLY ME Aviation to obtain AOC and they were being processed.

Operators had shown interests in enhancing their fleets and the section involved in the grant of approval for adding two small aircrafts for domestic operations.

The Section issued four (04) Foreign Air Operator Certificates to (Korean Air, Turkish Airlines, British Airways and Lot Polish Airlines) and issued provisionally another Seven (07) Foreign Air Operators (Island Aviation, Air Asia X, Transaero Airlines, Oren Air, Travel Service ZOO, Travel Service a.s. and Vim Air) for conduct of air service operations into and out of Sri Lanka. The reason for issuing a provisional AOC was due to noncompliance of their Aviation Security Programme with 13th amendment to the ICAO Annex 17 which is in force in Sri Lanka.

### SURVEILLANCE

The section engaged in conducting regular surveillance on Local and Foreign Air Operators in accordance with the approved Surveillance Plan to ascertain their compliance with the applicable ICAO SARPs and published local requirements. Accordingly the Section carried out a total of 122 man hours of Ramp Inspections of both local and foreign airlines, using the three inspectors attached to the Section.

The Section monitored safety performance of a total of 47 and 14 flights operated by Sri Lankan airlines and Mihin Lanka Ltd respectively in the year under review.

The Section also engaged in several aircraft incident/accident investigations.

The types of surveillance activities are Ramp Inspections, Main Base Inspections, DCP Monitoring,

Regulatory Audits, En-route Inspections, Training Observations and Station Facility Inspections.

Comprehensive Regulatory Audit on Sri Lankan Airlines was carried out by the section from 23rd to 27th September 2013 to ascertain the level of compliance with the published requirements on Flight Operations (FOM, Cabin Safety, Operational Control, and Training), Ground Operations, Safety Management System, and Transportation of Dangerous Goods by Air.

Furthermore the Section reviewed number of Manual of Procedures of local airlines and granted approval where necessary.

## USOAP AUDIT 2010

Continuous Monitoring Approach (CMA), as a proactive methodology adopted by ICAO to monitor the safety oversight capabilities of Member States ongoing basis with the ultimate objective of improving the global aviation safety, operations section throughout 2013 was in the process of providing up to date data/information pertaining to the Safety Oversight Capabilities of Sri Lanka.

The Section is responsible for effective implementation and monitoring of 1388 ICAO SARPS and the Level of Implementation of SARPs is 96.76%. For this purpose the Section is required to provide satisfactory answers to 152 Protocol Questions raised by ICAO under CMA.

The Section has submitted to ICAO, the Compliance Checklists in respect of latest amendments of Annex-6 and Annex 18.

## AIRWORTHINESS SECTION

The Airworthiness Section conducted necessary regulatory surveillance activities for maintenance of continued airworthiness of a total of 63 aircraft which are registered in Sri Lanka.

The Section monitored Airworthiness of Sri Lankan Airline's fleet of aircraft which had a total of 21 aircraft (8 of Airbus A-320's, 7 of A-330's and 6 of A-340's) and Mihin Lanka fleet of Qty 3 aircraft ( 1 of A320 and 2 of A321 aircraft). During this process the Section monitored safety performance of a total of 27,100 and 3539 flight cycles and 248,267 hrs and 23,741 hrs of engine time of Sri Lankan Airlines and Mihin Lanka Ltd respectively.

A total of eleven (11) initial Certificates of Airworthiness were issued and forty seven (47) Certificates of Airworthiness were renewed.

## AIRCRAFT MAINTENANCE ORGANIZATIONS

Five (05) Aircraft Maintenance Organizations (AMO) were approved after conducting the required evaluations. Validity of Fifty seven (57) AMO were renewed and three (03) 3rd party approvals were validated within the period under review. Forty six (46) Workshop approvals were granted during the period.

## AIRCRAFT REGISTRATION

During the period under review, the CAASL registered nine (09) aircraft and the Certificates of Registration issued to four (54) aircraft were renewed.

## SAFETY OVERSIGHT

In accordance with the approved Surveillance Plan, the Section carried out two hundred and thirty five (235) ramp inspections on Sri Lanka registered aircraft, foreign registered aircraft operated into Sri Lanka and general aviation aircraft during the year 2013. Also (07) Overseas Station Facility Inspections were conducted by the section.

## RECOMMENDATIONS FOR VISA

CAASL issued recommendations for landing endorsement and residence visas for 29 ground Foreign engineers.

## FLYING SCHOOLS/ ENGINEERING SCHOOLS

Aircraft and AMO of two (02) flying school inspections and three (03) Maintenance Training School renewal inspections were carried out.

## MAINTENANCE ENGINEER LICENSE

Airworthiness section conducted two (02) Aircraft Maintenance Engineer (AME) Examination for issuance of Aircraft Maintenance Engineering License for the personnel working in the industry. Furthermore, two (02) Examinations were conducted for conversion of AME (BL) to AML.

## SPARE PARTS APPROVALS

In 2014, Airworthiness Section recommended grant of approval for 236 applications for import & export aircraft spares.

## CORPORATE DIVISION

### AIR TRANSPORT & LEGAL AFFAIRS SECTION

The Air Transport sector in Sri Lanka experienced a distinct overall growth during the year 2013 with an increase in passenger, air freight and aircraft movements.

Sri Lanka also signed new bilateral air services agreements and updated some of the existing agreements aiming at expanding the accessibility by air.

Inauguration of Mattala Rajapaksa International Airport is a major milestone in the Air Transport Industry during the year 2013 adding to air transport handling capacity of Sri Lanka.

### AIRLINE OPERATIONS

There were many new leading foreign Airlines that commenced operations to Sri Lanka during the year under review whilst some other airlines resumed their operations to Colombo after a short lapse.

British Airways the flag carrier and the largest Airline in United Kingdom based on fleet size resumed its operations from Gatwick to Sri Lanka after an absence of nearly 15 years in April 2013. Turkish Airlines, the European Airline of the Year for 2012 and an Airline with a large route network commenced operations from Istanbul in January 2013. The commencement of operations of these two European Airlines shows the confidence leading international Airlines have in the Sri Lanka Aviation Market.

Air Asia X, Asia's leading budget operator commenced operations from Kuala Lumpur in September 2013 further boosting the Aviation and Leisure industries in Sri Lanka. Another major Airline in Asia, Korean Airlines commenced their operations to Colombo from Seoul in March 2013. In addition Island Aviation, a Maldivian carrier re-commenced their operations from Maldives to Sri Lanka.

Further to the aforementioned scheduled operators Lot Polish (from Warsaw), Orenburg (from Sheremetyevo), Transaero (Moscow), Travel Service (from Prague) and Travel Service Polska (from Warsaw) commenced their charter operations to Sri Lanka during IATA winter season 2013/14 to as Inclusive Tour Charter Operators. VIM Airlines (from Moscow) resumed their charter operations to Sri Lanka after 9 years during the IATA Winter Season 2013/14.

Scheduled operators Gulf Air (from Bahrain) and Tiger Airways (from Singapore), ceased their operations to Sri Lanka during the year under review. Wind Rose (from Kiev) and Enter Air (from Warsaw) both Charter operators also ceased their operations within the first quarter of the 2013. Mihin Lanka launched passenger services to Seychelles (Mahe) during the year and SriLankan Airlines maintained their operating capacity as previous year.

### PASSENGER AND CARGO MOVEMENTS.

There was a significant improvement recorded in the passenger and cargo movements during the year under review. Total Numbers of passengers arrived at and departed from BIA were 3,621,822 and 3,690,047 respectively. The market share of SriLankan Airlines of these passengers were 2,021,261 and 1,997,282 representing fifty four (54%) and fifty five percent (55%) respectively. Out of a total of 119,447 cargo (metric tons) uplifted at BIA in 2013, SriLankan Airlines uplifted 56,070 claiming forty six percent (47%) market share. In regard to cargo that was discharged at

BIA, out of a total of 71,776 cargo (metric tons), SriLankan Airlines discharged 43,496 claiming sixty percent (60%) market share.

## TRANSIT PASSENGERS

If BIA is to be developed as a hub airport in the region an important area to improve and develop would be to increase the number of transit passengers passing through the Airport. The total number of passengers who were in transit at BIA is 1,231,903 representing a 34% of total arrivals. Sri Lankan airlines had carried 1,010,196 of these transit passengers.

## DOMESTIC AVIATION

During the year under review Fits Aviation continued their operations as domestic fixed-wing scheduled passenger service operator between Ratmalana and Jaffna. There was a minor increase in the number of passengers travelled between Jaffna and Ratmalana v.v. in the year under review. Daya Aviation Ltd continued with their private/Commercial fixed wing operations during the year.

Millennium Airlines (Pvt) Ltd formerly known as 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. Senok Aviation continued helicopter operations during 2013.

To cater to the tourism boom in the Country, a new float plane operation by the name of 'Cinnamon Air' started operations to water aerodromes throughout the country by Saffron Aviation as a scheduled carrier.

## 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.

## BILATERAL AIR SERVICES NEGOTIATIONS

The CAASL took part in Bilateral Air Services negotiations held with the overseas Aeronautical Authorities as a part of the delegation of Sri Lanka. Five of the negotiations were held with individual states and CAASL also took part in the ICAO Conference on Air Services Negotiations (ICAN) which was held in South Africa. The outcome of these negotiations were as follows.

### BILATERAL NEGOTIATIONS HELD WITH RESPECTIVE STATES.

South Korea (Seoul - February)- A Memorandum of Understanding (MOU) was signed with a view to progressively modernizing the Air Services Arrangements between the two states and parties agreed to grant traffic rights with fifth freedom rights on intermediate points .

Azerbaijan (Colombo – February) – An MoU was signed and a draft Air Services Agreement (ASA) was initialled at the negotiations. Sri Lanka designated airlines are entitled to operate 21 weekly frequencies to Azerbaijan as per the MoU.

Seychelles (Colombo – April) - An MoU was signed and a draft ASA initialed at the negotiations. Sri Lanka designated airlines are entitled to operate 7 weekly frequencies to Seychelles.



Kazakhstan (Astana – August) – A MoU was signed and draft ASA was initialed at the negotiations. 3 weekly frequencies each are available to Astana and Almaty cities in Kazakhstan for Sri Lanka designated airlines.

India (Colombo - September) A new Memorandum of Understanding was signed between the two States wherein it was agreed to review the existing provisions at future negotiations.

## BILATERAL NEGOTIATIONS HELD AT THE ICAN CONFERENCE IN DURBAN, SOUTH AFRICA IN DECEMBER 2013.

Sri Lanka participated for the ICAO Conference on Air Services Negotiations (ICAN) held in Durban, South Africa from 08th to 13th December 2013. Sri Lanka delegation met the following 9 states.

### Ethiopia

New Air Services Agreement between Ethiopia and Sri Lanka was initialed based on the draft agreement which had been pre-coordinated with the two parties with 3rd, 4th and 5th freedom traffic rights for designated airlines of the Contracting Parties with frequency limit of seven flights per week.

SriLankan Airlines and Mihin Lanka Ltd. were designated to operate scheduled services under the Air Service Agreement.

### Finland

A New Air Services Agreement between Finland and Sri Lanka was initialed. 3rd, 4th and 5th freedom traffic rights for designated airlines of the Contracting Parties with no limit in frequency.

SriLankan Airlines and Mihin Lanka Ltd. were designated to operate scheduled services under the Air Service Agreement.

### Greece (Hellenic Republic)

A New Air Services Agreement between Greece and Sri Lanka was initialed with 3rd, 4th and 5th freedom traffic rights for designated airlines of the Contracting Parties with a frequency limit of fourteen (14) flights per week and three (3) intermediate and three (3) beyond points.

SriLankan Airlines and Mihin Lanka Ltd. were designated to operate scheduled services under the Air Service Agreement.

### Kenya

The existing Air Service arrangements were amended to incorporate third party code sharing. SriLankan Airlines and Mihin Lanka Ltd. were designated.

### New Zealand

A New Air Services Agreement between New Zealand and Sri Lanka was initialed with 3rd, 4th and 5th freedom traffic rights for designated airlines of Contracting Parties with no limit in frequency.

SriLankan Airlines and Mihin Lanka Ltd. were designated to operate scheduled services under the Air Service Agreement.

## Spain

New Air Services Agreement between Spain and Sri Lanka was initialed with 3rd and 4th freedom traffic rights for designated airlines of Contracting Parties with no limit in frequency.

SriLankan Airlines and Mihin Lanka Ltd. were designated to operate scheduled services under the Air Service Agreement.

## Turkey

The frequency entitlement available under the existing Air Service Agreement was increased from seven (7) to fourteen (14).

Sri Lanka offered Mattala Rajapaksa international Airport, as an intermediate point for Turkish Airlines' Male operation.

## UAE

The total frequency entitlement for UAE-Sri Lanka operations was increased up to 80 per week and according to this amendment, frequencies of Emirates, Fly Dubai and Air Arabia were increased. Designated Airlines of Sri Lanka will be entitled to operate 80 frequencies weekly to any destination in UAE as per their choices.

Operation of UAE Ad Hoc Charter flights to Colombo was agreed upon under the existing Charter Regulations.

UAE airlines were permitted to operate any number of frequencies to MRIA with full 5th freedom traffic rights.

## Nordic States (Denmark, Norway and Sweden)

Delegations of Nordic States representing Denmark, Norway and Sweden and Sri Lanka initialed the revised Air Services Agreement which embodied the amendments proposed by Sri Lanka in 2012 for Article 3 and 4 to accommodate the consequential amendments emanating from the EU horizontal agreement.

## AIRLINE RESERVATION & FARES CALCULATION COURSE

The Airline Reservation and Fares Calculation Course which was commenced in 2009 has made steady progress in providing skilled human resources to the travel industry. The 7th Batch of students completed their studies in December 2013. The 8th Batch is scheduled to commence in January 2014.

## SLOT CO-ORDINATION

The Slot Allocation at BIA and MRIA were conducted in terms of the agreed criteria of the Slot Committee during the year. With the peaceful environment in the Country, BIA is becoming a preferred destination for many Airlines and passengers and therefore there may be capacity

restrictions in the future. Also operations of MRIA were increased in a considerable number and slot coordinator encouraged operators for their operations.

## CONSUMER COMPLAINTS HANDLING

In accordance with the mechanism developed in collaboration with the Consumer Affairs Authority in 2011 the section handled consumer grievances and complaints pertaining to Air Transport during year 2013. A Total number of 20 complaints were addressed and complaints made against Airlines/ Travel Agents were resolved in a professional manner. There is a positive feedback for this initiative from the industry and the general public.

## REGULATING THE AIR TRANSPORT INDUSTRY

Evaluation Meeting was incorporated to the licensing process of Travel Agencies. The suitability of the staff members were ascertained in the evaluation meeting. Moreover, the prospective management was educated on responsibilities of Travel Agents towards the industry and to the general public. The general public was also educated through media to fulfill their Air Travel arrangements through licensed Travel Agents.

A surveillance programme was conducted to regulate Travel Agents operating without a valid Air Transport Providers License. Travel Agents were given the opportunity to obtain the License after fulfilling the regularity requirements.

## MEETINGS WITH STAKEHOLDERS IN AIR TRANSPORT INDUSTRY

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.

## GENERAL AVIATION DEVELOPMENT

The activities pertaining to General Aviation Development has been entrusted to the Air Transport Section. Hot Air Balloon operations concluded a successful season in year 2013. Balloon operations are presently conducted in touristic areas such as Dambulla and Ahungalla which assists in the promotion of tourism in the areas.

Para motoring became a popular venture during the year 2013 since introduced to Sri Lanka for the first time by Sky Club (Pvt) Ltd in 2011. South Asia Aviation Academy, Cool Adventure Club and Negambo Aero Club also commenced their Powered Para Operations in year under review.

Para Motor operations were conducted in established areas in Koggala, Kalpitiya, Puttlam,. A New para motoring site was approved for operations at Benthota and Mundalama. Two Ultra-Light aircraft owned by Locals continued private operations from Katukurunda. Remote Controlled Model Aircraft Clubs conducted flying events in Waters Edge, Municipal Grounds Colombo and Dharmapala College grounds at Pannipitiya.

## HELICOPTER AND BALLOON OPERATIONS

Aircraft Type	Total Number of Flights		Number of Passengers travelled	
	2012	2013	2012	2013
Helicopter	596	351	2130	1984
Balloon	141	156	947	1019

## INTERNSHIP FOR UNDERGRADUATES OF MORATUWA UNIVERSITY

At the request of the University of Moratuwa, CAASL facilitated two (02) undergraduates to undergo in-plant training at the CAASL for six months in 2013. 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 9 such students from the Transport & Logistics Management Department with in-plant training.

Two new interns from the University of Moratuwa have commenced their internship on the 11th of November 2013 and is currently undergoing training.

## HUMAN RESOURCES & OFFICE MANAGEMENT SECTION

### ORGANIZATIONAL REFORMS

Taking into account of the escalating responsibility of the CAASL for Civil Aviation Safety and Security Oversight in relation to industry expansion and also the need to addressing the problem of attracting competent technical personnel and retention of trained staff engaged in safety and security oversight functions, the CAASL approved in 2012, a complete revision in its organizational structure, cadre, salary scales and schemes of recruitment. The complete proposal as approved by the CAASL for organizational reforms was submitted to the Department of Management Services, General Treasury for approval.

Contrary to the CAA approved package of organizational reforms, the Department of Management Services on 23rd November 2013, approved a different organizational structure, cadre and salary scales which did not satisfy the requirements of the CAASL. Department of Management Services also imposed a condition that the CAASL shall not recruit staff to any of the existing posts and also to any new post until the Schemes of Recruitment of the new posts are approved by them. Albeit the specific enabling legal provisions in the CAASL Act for such matters, it was the premise of the DMS that the organizational arrangements in the CAASL relating to matters aforementioned shall conform to the Government's General policy. Accordingly the CAASL commenced preparing Schemes of Recruitment for each post that the DMS had approved and they will be submitted to the DMS soon for approval. It is the intention of the CAASL to commence recruitment of staff as soon as the requisite approval from the DMS is received for same.



## STAFFING

CAASL at present consists of one hundred and sixty seven (167) positions in its approved cadre which comprises of a Chief Executive Officer, thirty four (34) Senior Executives and forty three (43) Executives performing mainly safety and security oversight related duties and operational functions at managerial level whilst fifty five (55) Action Officers and thirty four (34) Support Staff assisting them. A total of one hundred and forty six (146) officers were in employment with the CAASL and there were 21 vacancies as at the end of December 2013.

## STAFF WELFARE

CAASL continued with its Medical Insurance Scheme at the cost of Rs. 6,573,480.00 as a welfare facility offered to employees and their immediate family members. A total of one hundred and thirty four (134) employees enjoyed the medical insurance indoor facility worth Rs.2, 415,742/- and Out Door facility worth Rs.2, 354,074/- during the period commencing from May 2012.

The Accident Insurance Policy was renewed with Ceylinco Insurance PLC as they agreed to offer special coverage to Civil Aviation Inspectors, who sometimes may have to face potential situations harmful to their health, safety, and security.

As a helping hand to the staff, the CAASL granted a sum of Rs. 6,594,657/- as Distress loans for thirty nine (39) employees and Rs. 2,559,089/- as property loan for an employee during period under review. Besides this, sum of Rs. 15,417,700/- was granted as loans to purchase Vehicles, Motor bikes, Push bikes and Three Wheeler in year 2013 for 18 employees.

## MAL WARUSA

A programme called MAL VARUSA for motivation people & aiming build up through relationship among the officers in line with the workshop result carried forward. The programme is held once in a month with the participation of all staff.

## TRAININGS, SEMINARS, WORKSHOPS, MEETINGS, CONFERENCES

A total of Rs. 38,476,006.70 was spent for all sort of training including overseas travel for participation at meetings and conferences. The CAA spent Rs. 1,377,300.00 for Local training for 586 man days. A sum Rs. 16,356,184.82 were spent for 234 man days of foreign training.

Activities of CAA being more of international nature, the CAA had to send its officials overseas frequently to attend various industry related meetings, negotiations and conferences during the year under review. The CAA spent a sum of Rs. 22,119,821.88 for such activities.

The training requirements, as identified in the Programme Budget 2013 and the Training Programme 2013 were facilitated within the annual budgetary allocation. Considering year 2012, it is a remarkable increase of investment for staff capacity building.

In all, eighty eight (88) human resource development activities totaling to 439 man-days were performed which includes foreign trainings, seminars, workshops, meetings and conferences opportunities offered to Executives and Civil Aviation Officers respectively.

A total of two hundred sixty three (263) local activities totaling to 586 man-days which includes trainings, seminars, workshops, opportunities were offered to Executives and Action Officers respectively aiming at enhancing human resource capacity building. Accordingly, a total of 820 man days' trainings, seminars and workshops, opportunities were offered in the year.

## TECHNICAL LIBRARY

Upgrading 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.

More than 360, number of outsiders utilized the library materials in the year under review. It serves as a resource and knowledge Centre in aviation in Sri Lanka.

A sum of Rs. 251,559.75 was spent on the purchase of new publications to the library for the year 2013.

In addition to that in order to enhance the dissemination of information among staff, Sectional Libraries were maintained by main the Technical Library with on-going scheme of updating ICAO documents.

## CAASL WEBSITE

CAASL website [www.caa.lk](http://www.caa.lk) was maintained with updated content and applying necessary security measures required for the data protection. Facility was added to provide examination results via a web based application and further information was added to meet corporate requirements.

## CAASL CORPORATE PLAN AND WORK PROGRAMMES.

In conformity with the CAA Corporate Plan which is updated yearly to reflect its evolving needs and obligations, the Section prepared the CAA's Overall Work programme for the year 2013 incorporating the Work Programmes of each Section/Unit.

Details for the Action plan, which was prepared by the Ministry of Civil Aviation were sent.

## MAINTENANCE RELATED ACTIVITIES OF CAA

Head Quarters of CAASL was fruitful during the year 2013 due to the established new environmental office structure. The building was leased for initially three years and the period will expire on 28th February 2014. CAASL intends extending the contract period by two years until the CAASL head office building is constructed at the Naikanda, Katunayake, BIA, for occupation.

The quarters located at Katunayake (No.9) was used by Senior Aeronautical Information Officer during the year under review.

The quarters located at Ratmalana was renovated in year 2012 and reserved for the most Senior Airworthiness Engineer during the year under review.

## AUTOMATION OF CAASL.

Remarkable IT improvements in software packages offered to the staff for the year 2013 was made with the installation of Microsoft 2013 package.

Every employee of the CAA including office aides and drivers is provided with an official e-mail address for enhanced communication. Accordingly all employees in the CAA are now e-literate and contactable through e-mails. Also each officer holding a rank of a CAO or above is provided with a dedicated computer, with access to internet.

## LEAVE AVAILED BY THE CAASL EMPLOYEE

Close monitoring of late attendance records and short leave records were made during the year apart from the concessionary period granted in attendance due to difficulties faced by the staff when reporting to the office. Incentives such as the Leave Encashment facility have encouraged frequent attendance at work.

## FINANCE MANAGEMENT SECTION

### PROGRAMME BUDGET.

Finance Section managed finances of the CAA in accordance with the Programme Budget- 2013 approved by the Board of Directors under four major programmes viz. Direction and Management, Aeronautical Services, Flight Safety and Corporate Management. The total revenue of the CAA in 2013 is Rs.1,179 million as against the total expenditure of Rs. 644 million including a capital expenditure of Rs. 78 million. The recurrent expenditure for 2013 has shown an increase of 9.3 % compared to the last year expenditure which is Rs.518 million and the revenue has shown increase of 19 % compared to the previous year's revenue which is Rs 989 million.

### MANAGEMENT INFORMATION

A comprehensive system of finance management information has been successfully implemented in the year under review. It provides wider coverage of financial management information and a facility of acceptance of Electronic Cards payments from the CAA customers. The Financial Management Information Statement of the CAA conforms to Sri Lanka Financial Reporting Standards introduced in 2012.



## SUMMARY OF PERFORMANCE -2013

### Performance of CAASL -2013

<b>Safety and Security Oversight duties and functions (No of Regulations/Notices/Rules issued)</b>	<b>2013</b>	<b>2012</b>
Air Transport	03	01
Airworthiness	02	00
<b>Initial Certification of Organizations / Personnel</b>		
Airlines	01	02
Maintenance Organizations	05	10
Pilots	268	199
Air Traffic Controllers	00	16
Aircraft Maintenance Licence	73	158
Flight Dispatchers	14	00
Flight Instructors	00	07
Assistant Flight Instructors	00	04
Ground Instructors	04	10
Cabin Crew Members	229	187
<b>Surveillance of Certified Organizations / Personnel</b>		
Ramp Inspections-Airworthiness	263	102
Ramp Inspections-Operations	53	36
Aerodrome Inspections	39	19
Air Traffic service Inspections	32	23
Maintenance Organization Inspections	46	42
Flying School Inspections- Personnel Licencing	08	14
Aviation Security inspections	21	42
Simulator inspections	01	02
En-route inspections-Operations	04	04
Dangerous Goods Inspections	09	18
Station Facility Inspection-Airworthiness	07	00
Station Facility Inspection –Operations	00	02
Aeronautical Information Services Inspections	19	12
Main base Inspection/Instructor observations	14	21
Designated Check Pilot (DCP Monitoring)	14	26
<b>Audits Completed</b>		
Air Navigation Services	01	01
Aviation Security	01	01

## Section Specific Activities -2013

Category	2013	2012
<b>DIRECTION AND MANAGEMENT</b>		
Authority meetings	09	13
Audit Committee meetings	04	08
Staff Committee meetings	03	02
Development Planning and Implementation Group Meetings	04	06
Industry consultative meetings	22	201
Appointment to outside organizations / personnel	136	249
Number of letters received	5518	5839
<b>AVIATION SECURITY (AV.SEC) SECTION</b>		
Recommendation for issuance of airport access passes	30	19
Approval for carriage of weapons on board/cargo holds of an aircraft	139	171
Authorization for travel in flight deck	01	01
Amendments / Revisions to National Aviation Security Programme	02	29
Security Surveillance Activities	20	36
Security Training courses conducted for industry	09	05
Security Screeners certified(Issuance+Renewals)	349	429
Security Training courses / seminars attended	10	02
AVSEC Examinations conducted	13	07
Delivery of presentation on Aviation Security	02	01
<b>SPECIAL PROJECTS (SP) SECTION</b>		
<b>Construction of CAASL Head Office Building</b>		
TEC meetings	06	00
Meeting with contractor	05	00
Site visits	05	00
Internal meetings	11	00
<b>Constructions of Office Building at MRIA</b>		
TEC Meetings	09	00
Meetings with contractor	06	00
Site visits	16	00
Internal Meetings	30	00
<b>Construction of CAA Quarters at Weerawila</b>		
TEC Meetings	06	00
Meetings with contractor	00	00
Site visits	01	00
Internal Meetings	07	00
Guwansara Magazines published	04	03
CADEC programme conducted	19	12

Category	2013	2012
Workshops for school principals	02	00
Workshops for school students	06	06
Workshops for school students clubs	08	00
Conduct special activities	01	01
National committee programme	02	00
WHO IHR (2005) Workshop	01	00
CAPSCA Assistant visit	01	00
Conduct Annual Out door Training Workshop	01	00
Dayata Kirula National Exhibition	01	01
Organizing CAA stalls at Exhibitions	02	02
CAA Annual Report	01	01
Other Publications/reports	05	04
Sectional statistics	12	12
CAA statistics	121	121
<b>AIR NAVIGATION SERVICES (ANS) SECTION</b>		
Approvals for construction of high rise structures	312	653
Approvals for issuances of NOTAM	186	264
Issuance of Aeronautical Information Circulars	08	09
AIP Supplement Issued	07	08
Issuance of over flying clearance.	929	1030
Landing permissions for non-schedule flights	586	655
Training courses / seminars attended	29	34
Approval for Water Aerodromes	01	00
Aerodrome Surveillance carried out	39	19
ATS Surveillance carried out	32	24
<b>PERSONNAL LICENSING (PL)</b>		
Student Pilot Licences(SPL) (Issuance+ Renewals)	231	155
Private Pilot Licences(PPL) (Issuance+ Renewals)	110	94
Commercial Pilot Licences(CPL) (Issuance+ Renewals)	339	264
Airline Transport Pilot Licences (ATPL) (Issuance+ Renewals)	498	414
Air Traffic Controller Licences(ATC) (Issuance+ Renewals)	26	44
Aircraft Maintenance Engineer Licences(Issuance+ Renewals)	05	113
Aircraft Maintenance Licences-(Issuance +Renewals)	474	397
Aircraft Maintenance Licences-Type Ratings-Issuances	25	38
Aircraft Maintenance Licences-Categories-Issuances	10	14
Cabin Crew Certificate-Issuance	229	225
Cabin Crew Certificate-Re Issuance	512	50
Flight Operation Officer Licences-Issuance	14	00

Category	2013	2012
Flight Engineer Licences-(Issuance +Renewals)	01	00
Aircraft type Rating for Commercial Pilot License (CPL)/ Airline Transport Pilot Licences (ATPL) Issuances	154	140
Assistant Flight Instructor (AFI) /Flight Instructor (FI) Rating -(Issuance +Renewals)	09	28
Flying School Licences-Renewal	03	06
Ground Instructor Approvals	04	12
Air Traffic Controllers Rating (Issuance+Renewals)	201	100
Aircraft Maintenance Engineer Licences (AME) Category- Issuance	00	01
Issuance of visa recommendations	85	92
Issuance of NIB Clearances	159	359
Medical Examinations	958	866
Personnel Licencing Examinations		
PPL Examination	107	89
Special Air Law Examination	00	06
AML Examination	02 414 application	02 411 application
ATPL Examination	79	56
ATPL (H) Examination	03	06
Foreign License Conversion Examination	00	04
English Language Proficiency Check	109	117
Reactivation of Lapsed License Examination (CPL/IR)	03	12
Radio Telephony Practical Test	56	55
Flight Test Examiner Examination	01	00
AML Conversion Examination	00 414 applicant	02 411 applicants
<b>OPERATIONS (OPS)</b>		
Training courses / Seminars attended	10	13
New Guidance Material issued	00	03
Special operations	12	11
Cabin crew authorization	229	266
Foreign Air Operator Certificate –initial	04	02
Foreign Air Operator Certificate - renewal	11	26
Dangerous Good transport Licences - initial	02	00
Dangerous Good transport Licences - renewal	13	13
DCP Initial	04	09
DCP Renewal	30	23
Air Operator Certificate-initial	01	00
Air Operator Certificate-renewal	08	08
Simulator renewal	07	05
Check Authorization	249	220
Surveillance Activities Performed	106	92

Category	2013	2012
<b>AIRWORTHINESS (AW)</b>		
New Aviation Safety Notices issued	02	00
Training Courses/ Seminars attend	08	06
Surveillance activities carried out(Ramp, Audit)	238	102
Certificate of Airworthiness of aircrafts-Initial	11	08
Certificate of Airworthiness of aircrafts-Renewal	47	40
Approval of workshop of aircraft maintenance organization	46	10
Certificate of registration of aircrafts-Initial	09	06
Certificate of registration of aircrafts-Renewal	54	51
Approval of Maintenance Organization with facility inspections	46	42
Resolution of aviation occurrences	93	32
<b>AIR TRANSPORT &amp; LEGAL AFFAIRS (AT&amp;LA)</b>		
Draft new regulations produced	03	01
Training courses / seminars attended	04	02
New Guidance Material produced	03	01
Existing guidance material revised	01	01
Domestic flight schedule approvals	37	03
Surveillance of Air Transport Providers and evaluation meetings carried out	118	18
International flight schedule approvals	185	25
Visa recommendation for non-technical experts staff	21	16
Charter Licences for Sri Lanka Registered Airline	08	08
Airline Licences for Sri Lanka Registered Airline	03	03
Charter Licences – International Operations	03	04
Charter Licences - domestic regular Operations	04	06
Air transport provider's Licences	518	450
Private Operations Licences	02	02
New Air Service Agreements entered	05	00
Existing Air Services Agreements reviewed	09	02
Open skies air services agreements	07	06
<b>HUMAN RESOURCES AND OFFICE MANAGEMENT (HROM)</b>		
New rules on HR&OM issued	21	06
Existing rules on HR&OM revised	00	02
Staff recruitments	07	09
Total overseas training arranged	32	80
Total local training arranged	50	117
Total staff	146	148
Performance evaluations conducted	56	70

<b>Category</b>	<b>2013</b>	<b>2012</b>
Staff retirements	01	01
Staff loans facilitated	Rs 24.8m	Rs 18.02m
New documents added to the Technical Library	21	137
<b>FINANCE MANAGEMENT (FM)</b>		
Total Revenue collected	1,179m	988m
Total expenditure incurred	593m	370m
Total Staff salaries paid	157m	148m
Vehicles purchased	00	03
Computers purchased	07	09
<b>INTERNAL AUDIT (AI)</b>		
Audits conducted	30	34
Findings raised	146	50
<b>AIRCRAFT ACCIDENT &amp; INCIDENT INVESTIGATION (AII)</b>		
Incidents reported	05	06
Accidents reported	00	00
Occurrence reported	186	137
Serious injuries to passengers or crew	01	00
Minor injuries to passengers or crew	00	19
Draft New Regulations produced	00	01
Training Courses/Seminars attended	01	01
Existing Guidance Material revised	04	01

## PERFORMANCE OF THE INDUSTRY-2013

<b>TRAFFIC PARTICULARS</b>		
<b>International Traffic</b>		
	<b>2013</b>	<b>2012</b>
Passengers	8,543,772	8,290,688
Embark	3,621,822	3,554,969
Disembark	3,690,047	3,590,122
Transit	1,231,903	1,145,577
Cargo(Metric tons)	191,224	174,645
In bound	71,776	66,602
Out bound	119,447	108,043
Aircraft Movements	50,969	48,734
Scheduled flights	48,413	46,616
Charters Flights	2,556	2,118
Number of Airline Operated	39	40
Scheduled services	27	30
Charters	08	07
All Cargo	04	03
<b>Domestic Traffic</b>		
Passenger carried	7,694	8,421
Aircraft Movements	1,842	1,715
Number of Airline operated		
Scheduled Flights	02	01
Charter Flights	06	02

## CIVIL AVIATION AUTHORITY OF SRI LANKA

### STATEMENT OF COMPREHENSIVE INCOME

AS AT 31 ST DECEMBER 2013					
	Note	31.12.2013		31.12.2012	
		Rs.	Cts.	Rs.	Cts.
<b>Income</b>		1,178,712,159.10		988,991,622.16	
Operating Income	(1)	1,078,895,686.64		918,524,428.11	
Non-Operating Income	(2)	99,816,472.46		70,467,194.05	
<b>Expenditure</b>		365,040,299.83		370,804,177.77	
Staff Expenses	(3)	156,700,965.10		148,638,658.02	
Meetings, Seminars and Workshops	(4)	33,254,645.02		26,794,066.10	
Training Expenses	(5)	11,269,722.26		20,106,117.69	
Administration and Other Expenses	(6)	136,960,888.79		148,764,416.90	
Depreciation	(8)	26,854,078.66		26,500,919.06	
Profit/(Loss) from Ordinary Activities before Taxation		813,671,859.27		618,187,444.39	
Taxation	(7)	228,159,304.45		94,722,505.91	
Net Profit/(Loss) for the year		585,512,554.82		523,464,938.48	
Other Comprehensive Income					
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)					
Total comprehensive income for the year		585,512,554.82		523,464,938.48	

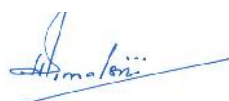


## CIVIL AVIATION AUTHORITY OF SRI LANKA STATEMENT OF FINANCIAL POSITION

AS AT 31 ST DECEMBER 2013			
	Note	31.12.2013 Rs. Cts.	31.12.2012 Rs. Cts.
<b>ASSETS</b>		1,931,531,245.45	1,202,805,871.50
Non-Current Assets			
Property, Plant & Equipment	(8)	92,488,294.11	114,891,490.00
Current Assets		1,839,042,951.34	1,087,914,381.50
Inventories	(09)	79,146,992.92	6,934,256.43
Trade Receivables and Staff Loans	(10)	219,721,394.16	180,555,880.06
Other Financial Assets	(11)	801,046,519.12	543,528,106.43
Advances, Prepayments and Other Receivables	(12)	106,488,296.86	136,448,863.07
Cash and Cash Equivalents	(13)	632,639,748.28	220,447,275.51
<b>EQUITY AND LIABILITIES</b>		1,931,531,245.45	1,202,805,871.50
Capital and Reserves		896,255,554.68	511,349,053.86
Government Grants	(14)	7,956,326.05	8,562,380.05
Revaluation Surplus	(15)	13,485,465.44	13,485,465.44
General Reserve		485,000,000.00	-
Accumulated Profit		389,813,763.19	489,301,208.37
Non-Current Liabilities		277,799,071.34	274,709,426.94
Deferred Tax Liabilities	(16)	4,658,204.67	4,762,194.44
Provisions and Other Liabilities	(17)	261,851,639.67	259,676,305.00
Retirement Benefits Obligation	(18)	11,289,227.00	10,270,927.50
Current Liabilities		757,476,619.43	416,747,390.70
Trade Payables	(19)	616,588,928.22	282,872,312.57
Other Payables	(20)	17,531,743.11	43,274,312.31
Income Tax Liabilities	(21)	123,355,948.10	90,600,765.82



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



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

28th February 2014

**STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED 31ST DECEMBER 2013**

	Government Grant		Revaluation Reserve		General Reserve		Accumulated Profit		Total	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
Balance as at 1st January 2012	9,168,434.05		13,485,465.44				425,412,628.47		448,066,527.96	
Profit for the period	-		-				523,464,938.48		523,464,938.48	
Prior year adjustment- 2011	-		-				(103,645,776.49)		(103,645,776.49)	
Charges to year - 2011							(5,930,582.09)		(5,930,582.09)	
Appropriation of net surplus	-		-				(350,000,000.00)		(350,000,000.00)	
Amortization for year	(606,054.00)		-				-		(606,054.00)	
Balance as at 31st January 2012	8,562,380.05		13,485,465.44				489,301,208.37		511,349,053.86	
Profit for the period	-		-				585,512,554.82		585,512,554.82	
Appropriation of net surplus – Consolidated Fund	-		-				(200,000,000.00)		(200,000,000.00)	
Transfer of net surplus - General Reserve					485,000,000.00		(485,000,000.00)			
Amortization for year	(606,054.00)		-				-		(606,054.00)	
Balance as at 31st December 2013	7,956,326.05		13,485,465.44		485,000,000.00		389,813,763.19		896,255,554.68	

**STATEMENTS OF CASH FLOW**  
**YEAR ENDED 31ST DECEMBER 2013**

	2013 Rs.	Cts.	2012 Rs.	Cts.
<b>Cash Flows from/(Used in) Operating Activities</b>				
Profit/(Loss) from Ordinary Activities before Taxation	813,671,859.27		618,187,444.39	
<b>Adjustments for</b>				
Depreciation	26,854,078.66		26,500,919.06	
Amortization of Government Grant	(606,054.00)		(606,054.00)	
Income from Investments	(90,940,918.72)		(64,756,055.37)	
Provision for Insurance Fund	72,216.67		67,450.00	
Prior Year Adjustments	-		6,986,497.51	
(Profit)/Loss on sales of Property, Plant & Equipment	(63,865.00)		225,842.59	
Disallowable VAT on Purchases of Fixed Assets	-		(3,030,221.66)	
Provision for Defined Benefit Plans	1,138,179.50		1,767,642.50	
<b>Operating Profit/(Loss) before Working Capital Changes</b>	<b>750,125,496.38</b>		<b>585,343,465.02</b>	
Increase in Inventories	(72,212,736.49)		(5,348,025.27)	
Increase in Trade Receivables and Staff Loans	(39,165,514.10)		(41,645,146.47)	
Increase in Advances, Prepayments and Other Receivables	18,751,822.04		(12,872,922.05)	
Increase in Trade and Other Payables	307,974,046.45		62,764,560.29	
<b>Decrease in Provisions and Other Liabilities</b>	<b>-</b>		<b>262,434.00</b>	
Cash Generated from Operations	965,473,114.28		588,504,365.52	
Defined Benefit Plan Costs Paid (Gratuity)	(119,880.00)		(736,585.00)	
<b>Income Tax Paid</b>	<b>(195,508,111.94)</b>		<b>(222,082,339.45)</b>	
<b>Net Cash From/(Used in) Operating Activities</b>	<b>769,845,122.34</b>		<b>365,685,441.07</b>	
<b>Cash Flows from/(Used in) Investing Activities</b>				
Acquisition of Property, Plant & Equipment	(4,458,717.77)		(28,926,051.48)	
Proceeds from Sale of Property, Plant & Equipment	71,700.00		437,500.00	
Acquisition of other Investments	(257,518,412.69)		(210,303,036.52)	
Proceeds from sales of other Investments - Staff Welfare Fund	(116,882.00)		169,402,178.19	

	2013 Rs.	Cts.	2012 Rs.	Cts.
Interest Received	102,149,662.89		65,135,454.99	
Bank Guarantee	2,220,000.00		138,000.00	
Net Cash Flows from/(Used in) Investing Activities	(157,652,649.57)		(4,115,954.82)	
Cash Flows from/(Used in) Financing Activities				
Consolidation Fund	(200,000,000.00)		(350,000,000.00)	
Net Cash Flows from/(Used in) Financing Activities	(200,000,000.00)		(350,000,000.00)	
Net Increase/(Decrease) in Cash and Cash Equivalents	412,192,472.77		11,569,486.25	
Cash and Cash Equivalents at the beginning of the year	220,447,275.51		208,877,789.26	
Cash and Cash Equivalents at the end of the year	632,639,748.28		220,447,275.51	
Analysis of Cash & Cash Equivalents				
Cash at Bank	488,639,748.28		40,447,275.51	
Short term investments	144,000,000.00		180,000,000.00	
	632,639,748.28		220,447,275.51	

# FINANCIAL STATEMENTS - 2013

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

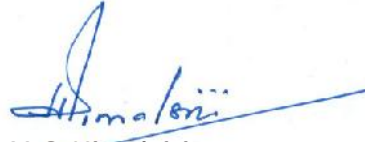
In terms of Section 14 & 15 of Civil Aviation Authority of Sri Lanka Act No 34 of 2002, the Management of the Authority is responsible for,

- 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 S. Daluwatte  
Chairman

28th February 2014



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 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

### 1.5 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.

### 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.1,219,511,333. (2012, Rs: 955,676,310)

#### (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.11,289,227. (2012: Rs. 10,270,928)

#### (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 recognized to the extent of the Authority's continuing involvement in it. In that case, the Authority also recognizes 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 software	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 equipment 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 vehicles 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. Investments with short maturities 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. GENERAL RESERVE

Rs.485 mn has been reserved for meeting capital expenditure on construction of head Office building requisite at the 95th CAA Board meeting in terms of the Section 10.2 (e) of the Finance Act No 38 of 1971.

## 11. INCOME RECOGNITION

### 11.1 Overseas sales surcharge/Service charge of embarkation levy/Initial issues & the renewal of Licences / 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.

### 11.2 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.

### 11.3 Other Income

Other income is recognised on an accrual basis

## 12 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.

### 13 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.

### 14. 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.

## 15 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.

## 16. 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.

## 17 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.

## 18 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.

## 19. 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 01.01.2012	-	Rs.	9,168,434.05
Less: Amortization for the year 2012	-	Rs.	(606,054.00)
Government Grants as at 31.12.2012	-	Rs.	8,562,380.05
Less: Amortization for the year 2013	-	Rs.	606,054.00
Government Grants as at 31.12.2013	-	Rs.	7,956,326.05

## NOTES TO THE FINANCIAL STATEMENT

		31.12.2013		31.12.2012	
		Rs.	Cts.	Rs.	Cts.
(1)	Operating Income	1,078,895,686.64		918,524,428.11	
	Overseas Sales Surcharge	893,284,113.90		777,079,501.28	
	Service Charge of Embarkation Levy	138,082,367.67		92,897,230.67	
	Initial issues and renewal of Licences	18,296,515.52		17,118,445.73	
	Examination Fees	4,184,475.00		4,546,056.19	
	Other Regulatory Charges	21,821,191.00		19,510,535.24	
	Other Operating Income	3,227,023.55		7,372,659.00	
(2)	Other Income	99,816,472.46		70,467,194.05	
	Miscellaneous Income	1,213,048.77		879,972.43	
	Rental Income	87,673.25		115,503.25	
	Profit from Disposal of Fixed Assets	63,865.00		-	
	Interest Income from Staff Loans (IFRS)	6,317,926.22		4,109,609.00	
	Amortization of Government Grant	606,054.00		606,054.00	
	NBT Collected from Customers	586,986.50		-	
	Interest Income	-		-	
	Interest from Staff Loan	3,458,587.20		2,928,507.31	
	Interest from Treasury Bill	68,989,229.39		20,433,433.92	
	Interest from Fixed Deposits	3,042,243.27		31,142,884.22	
	Interest from Call Deposits	15,450,858.86		8,842,495.67	
	Interest from Embarkation Levy	-		1,408,734.25	
(3)	Staff Expenses	156,700,965.10		148,638,658.02	
	Salaries and Wages	62,643,485.59		59,821,258.92	
	Other Allowances	48,482,451.35		46,761,582.30	
	Employee Provident Fund	15,520,351.56		14,963,426.50	
	Employee Trust Fund	3,103,619.98		2,991,966.01	
	PAYE Tax	2,753,681.42		2,324,857.76	
	Bonus	3,405,590.69		3,543,736.03	
	Welfare Expenses	9,562,626.17		8,993,452.88	
	Gratuity	1,138,179.50		1,767,642.50	
	Over time and Holiday Payment	3,773,052.62		3,361,126.12	
	Staff Cost on Loan Benefits – ( IFRS Adjustments)	6,317,926.22		4,109,609.00	
(4)	Meetings, Seminars and Workshops	33,254,645.02		26,794,066.10	
	Workshop and Seminar Expenses	-		-	
	Local	2,683,340.70		6,384,027.94	
	Foreign	30,571,304.32		20,410,038.16	
(5)	Training Expenses	11,269,722.26		20,106,117.69	
	Training Expenses				
	Local	1,086,540.00		2,955,351.00	



## NOTES TO THE FINANCIAL STATEMENT

	Foreign	10,183,182.26	16,914,549.50
	Civil Aviation Training Academy Expenses	-	236,217.19
(6)	Administration and Other Expenses	136,960,888.79	148,764,416.90
	Travelling Expenses - Local	42,882.00	-
	Board Payments	1,162,500.00	1,556,250.00
	Stationery and Consumable Expenses	6,368,207.83	5,006,745.34
	Other Supplies	370,919.11	501,358.59
	Telecommunication	3,752,508.31	4,260,690.86
	Postal Charges	227,480.08	216,215.23
	Subscription, Contributions to Local/International Organizations	20,370,000.00	15,582,000.00
	Subscription for Publication & Advertisement	888,283.18	698,565.63
	Examination Fee	418,415.96	216,308.43
	Printing Expenses	2,414,167.89	2,201,553.24
	Airfare and Ticketing Course Expenses	132,197.00	361,031.89
	Indoor and Outdoor Meeting Expenses	257,268.07	421,728.51
	Inspections/Outdoor Meeting	2,882,540.13	768,922.97
	Translation and Typing Expenses	171,115.88	106,991.11
	Maintenance of Property, Plant and Equipment	1,073,443.98	1,160,536.65
	Audit Fee	1,206,672.00	-
	Fuel	9,151,441.72	7,595,356.24
	Vehicle Maintenance	9,020,533.77	6,904,174.63
	Rent and Hire Charges	851,780.84	1,055,532.26
	Common – Welfare	328,281.00	-
	Welfare Utilities – Sports	144,541.00	-
	Expenses for Office Building and Quarters	53,838,364.50	47,657,085.98
	NBT	587,013.46	569,702.00
	Dayata Kirula Exhibition	7,376,143.00	6,309,271.99
	Aviation Development	8,115,195.13	4,583,246.91
	IT Development	549,428.06	273,558.85
	Corporate Social Responsibility	1,660,500.00	-
	Donations	-	350,000.00
	Aviation Celebration	1,320,060.00	11,385,293.44
	Regulatory Development	883,440.50	27,752,849.25
	Sundry Expenses	24,700.00	1,043,604.31
	Organizational Events	1,370,864.39	-
	Loss on Disposal of fixed assets	-	225,842.59
(7)	Taxation	228,159,304.45	94,722,505.91
	Income Tax 28% for the year 2013	227,828,120.60	173,092,484.43
	Previous Year Under Provision - Income Tax	435,173.62	(77,201,590.87)
	Deferred Tax	(103,989.77)	(1,168,387.65)

## NOTES TO THE FINANCIAL STATEMENT

(8)	Property, Plant and Equipment	Balance as at 01/01/2013	Additions/Transfers	Disposals	Balance as at 31/12/2013	Balance as at 31/12/2012
	<b>Cost/Valuation</b>	<b>Balance as at 01/01/2013</b>	<b>Additions/Transfers</b>	<b>Disposals</b>	<b>Balance as at 31/12/2013</b>	<b>Balance as at 31/12/2012</b>
	Land	5,359,200.00	-	-	5,359,200.00	5,359,200.00
	Building	13,265,682.05	77,719.00	-	13,343,401.05	13,265,682.05
	Vehicles	87,928,633.15	-	-	87,928,633.15	87,928,633.15
	Plant and Machinery	52,144,503.72	1,969,875.00	(78,350.00)	54,036,028.72	52,144,503.72
	IT Software	8,680,747.51	-	-	8,680,747.51	8,680,747.51
	Furniture and Fittings	26,416,618.30	2,411,123.77	-	28,827,742.07	26,416,618.30
	Other Fixed Assets	999,079.00	-	-	999,079.00	999,079.00
		194,794,463.73	4,458,717.77	(78,350.00)	199,174,831.50	194,794,463.73
	<b>Depreciation</b>	<b>Balance as at 01/01/2013</b>	<b>Charge for the year</b>	<b>Depreciation for Disposals</b>	<b>Balance as at 31/12/2013</b>	<b>Balance as at 31/12/2012</b>
	Building	6,345,911.87	695,352.18	-	7,041,264.05	6,345,911.87
	Vehicles	29,254,347.96	8,244,129.87	-	37,498,477.83	29,254,347.96
	Plant and Machinery	27,498,742.64	10,271,250.66	(70,515.00)	37,699,478.30	27,498,742.64
	IT Software	3,835,088.51	2,075,261.39	-	5,910,349.90	3,835,088.51
	Furniture and Fittings	12,019,846.75	5,568,084.56	-	17,587,931.31	12,019,846.75
	Other Fixed Assets	949,036.00	-	-	949,036.00	949,036.00
		79,902,973.73	26,854,078.66	(70,515.00)	106,686,537.39	79,902,973.73
	Written Down Value				92,488,294.11	114,891,490.00

## NOTES TO THE FINANCIAL STATEMENT

		31.12.2013		31.12.2012	
		Rs.	Cts.	Rs.	Cts.
(09)	Inventories	79,146,992.92		6,934,256.43	
	Consumable items	4,605,810.97		2,104,256.43	
	Goods In Transit	28,280,000.00		-	
	Work in Progress	46,261,181.95		4,830,000.00	
(10)	Trade Receivables and Staff Loan	219,721,394.16		180,555,880.06	
	OSS & Regulatory Service Income Receivable	183,780,105.91		144,073,407.09	
	Other Debtors	171,114.73		1,013,855.11	
	Staff Loans	66,877,986.77		53,176,212.86	
	Less: Deferred Staff Cost	(31,107,813.25)		(17,707,595.00)	
(11)	Financial assets	801,046,519.12		543,528,106.43	
	Fixed Deposits	36,308,635.50		84,657,875.00	
	Treasury Bills	764,737,883.62		458,870,231.43	
(12)	Advances, Prepayments and Other Receivables	106,488,296.86		136,448,863.07	
	Advances	4,263,304.46		4,357,584.24	
	Prepayments	10,337,887.77		46,378,640.19	
	VAT Receivable	36,671,446.98		32,688,455.07	
	Interest Income Receivable	24,107,844.40		35,316,588.57	
	Prepaid Staff Cost	31,107,813.25		17,707,595.00	
(13)	Cash and Cash Equivalents	632,639,748.28		220,447,298.51	
	Cash at Bank	488,639,748.28		40,447,298.51	
	Current Account: 0002026666	54,435,041.25		2,368,212.66	
	Current Account: 0002026678	434,204,707.03		38,079,085.85	
	Short term investments	144,000,000.00		180,000,000.00	
(14)	Grants Received	7,956,326.05		8,562,380.05	
	Land	5,359,200.00		5,359,200.00	
	Buildings	3,014,485.95		3,620,539.95	
	Other Fixed Assets	188,694.10		188,694.10	
	Total	8,562,380.05		9,168,434.05	
	Amortization for the year	(606,054.00)		(606,054.00)	
	Balance as at 31st December 2013	7,956,326.05		8,562,380.05	
(15)	Revaluation Surplus	13,485,465.44		13,485,465.44	
	Vehicles	4,720,625.00		4,720,625.00	
	Plant, Machinery and Equipment	3,855,992.93		3,855,992.93	
	Furniture and Fittings	4,908,847.51		4,908,847.51	
(16)	Deferred Tax Liabilities	4,658,204.67		4,762,194.44	
	Balance 1st January 2013	4,762,194.44		5,930,582.09	
	Reversal for the year	(103,989.77)		(1,168,387.65)	
	Balance as at 31st December 2013	4,658,204.67		4,762,194.44	

(17)	Provisions and Other Liabilities	261,851,639.67	259,676,305.00
	Provision for Insurance	702,516.67	630,300.00
	Staff welfare fund	301,123.00	418,005.00
	Provision for Accident Investigation Fund	250,000,000.00	250,000,000.00
	Deposits Received	10,848,000.00	8,628,000.00
(18)	Retirement Benefits Obligation	11,289,227.00	10,270,927.50
	Balance 1st January 2012	10,270,927.50	9,239,870.00
	Provision for the year	1,138,179.50	1,767,642.50
	Paid during the year	(119,880.00)	(736,585.00)
(19)	Trade Payables	616,588,928.22	282,872,312.57
	Deposit Inspection Charges and Operation	7,791,581.00	8,418,271.41
	Payable to Airport Aviation Authority and Government Treasury	578,204,706.53	270,521,941.16
	Other Creditors	30,592,640.69	3,932,100.00
(20)	Other Payables	17,531,743.11	43,274,312.31
	Accrued Expenses		
	- Staff Expenses	4,410,728.15	4,070,880.75
	- General Expenses	13,121,014.96	39,203,431.56
(21)	Income Tax Liabilities	123,355,948.10	90,600,765.82
	Balance as at 1st January 2012	90,600,765.82	106,159,937.71
	Provision for the year	228,263,294.22	95,890,893.56
	Paid during the year	(195,508,111.94)	(111,450,065.45)
	Balance as at 31st December 2013	123,355,948.10	90,600,765.82

# AUDITOR GENERAL'S REPORT



## විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அறிப்பித் திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } TC/B/CAASL/FA/2013  
எனது இல. }  
My No. }  
}

ඔබේ අංකය }  
உமது இல. }  
Your No. }  
}

දිනය } 31 March 2015  
திகதி }  
Date }  
}

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 2013 in terms of the 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 2013 comprising the statement of financial position as at 31 December 2013 and the statement comprehensive income, 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 the Section 13(1) of the Finance Act, No.38 of 1971 and Section 14(4) of the 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 11 February 2015.

### 1:2 Management's Responsibility for the Financial Statements

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 on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). 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.

අංක 306/72, පොල්දොව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, - - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Palduwa Road, Battaramulla, Sri Lanka

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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 judgement, including the assessment of 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 financial statements in order to design audit procedure 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 the 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 Audit Evidence to provide a basis for my 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 2013 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 Accounting Deficiencies  
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Even though the purchase of motor vehicles valued at Rs.28,280,000 had been expected during the year under review, no transactions involving even incurring a commitment had taken place. Nevertheless, the value of motor vehicles had been shown as goods in transit and the liability thereon had been shown under the current liabilities.



2:2:2 Lack of Evidence for Audit

The following items could not be accepted in audit due to the non-submission of the evidence indicated against each item.

Item	Value	Evidence not made available
-----	-----	-----
	Rs.	
(a) Repairs to Motor Vehicles	1,042,108	Originals of bills, reports of motor mechanics and the originals of receipts in support of payment.
(b) Expenditure on Transport of School Children to Mattala	360,000	Particulars of schools participated in the tour letters of confirmation from the Principals of the respective schools, number of Children and registered numbers of the buses used for transport.
(c) Transport of People in Puttalam and Chilaw areas for a meeting and in cost of their food.	494,000	Reasons for the free transport of people, the need for incurring this expenditure by the Civil Aviation Authority of Sri Lanka, reasons for the free supply of food, the registered numbers of the buses used for transport and the number of persons transported.
(d) Lectures on Awareness of Air Zones concept for High Officials	337,500	List of names of Officers participated, types of their degrees, the University, National Identity Card Numbers, Private Addresses, etc.



## 2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
<hr/>	<hr/>
(a) Finance Act, No.38 of 1971 (i) Section 10(5)	Even though the balance income remaining after appropriations should be credited to the Consolidated Fund, the accumulated profits from the year 2003 to the year under review had not been credited to the Consolidated Fund as prescribed. Action had not been taken to credit to the Consolidated Fund the profit for the year under review after appropriations amounting to Rs.585,512,555.
(ii) Section II	Sums totaling Rs.801,046,519 had been invested in 19 instances the year under review without the prior or covering approval of the Treasury.
(b) Public Administration 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 other than those allocated, it had not been so done in respect of 04 motor vehicles.
(c) Procurement Guidelines of the Government Section 2.14.1	Even though the approval of the Ministry Procurement Committee should be obtained in terms of Procurement Guidelines of the Government for transactions exceeding Rs.50 million, it had not been so done in the procurement of a building for the Authority on rent for Rs.106,021,080.





(d) Public Enterprises Circulars

(i) Circular No.PED/39 of 09  
October 2006.

(i) Fuel Valued at Rs.1,681,798 had been supplied in excess of the limit prescribed in the circular to 04 Senior Officers of the Authority.

(ii) In Addition to the official motor vehicle allocated to the Director General, a sum of Rs.685,315 had been spent in the year under review on another motor vehicle released for his private purposes.

(ii) Circular No.PED/12 of 02 June 2003  
Section 9.12

A sum of Rs.,7,538,843 had been spent in the year under review contrary to the circular provisions to obtain hospital and surgical full insurance cover for the employees of the Authority and all members of their families. The annual insurance premium for the insurance cover ranged between Rs.38,400 to Rs.60,600 per employee.

(iii) Public Enterprises Circular No.95 of  
14 June 1994

(i) Contrary to the Circular provision and without the formal approval a special monthly allowances at Rs.25,000 for 06 officers and at Rs.10,000 for one officer paid as a professional allowance during the year under review totaled Rs.1,895,000.

(ii) The Senior Director had been paid a sum of Rs.17,625 per month for acting in the Post of the Director General. Even though he had been from the acting post with effect from May 2010, he had been paid acting allowance amounting to Rs.742,250 up to the end of the year under review.



(e) Section 111 (a) of the Inland Revenue Act, No.38 of 2000 and Budget Proposals of 2011

Even though the Pay As You Earn Tax on the Salaries and other earnings of the employees of the Civil Aviation Authority should be paid from their personal salaries, the Pay As You Earn Tax in respect of the 06 years from the year 2007 to the year 2013 totalling Rs.16,995,279 had been paid from the Fund of the Authority.

(f) Public Administration Circular No.14/2008 of 26 June 2008

(i) Contrary to the Circular provisions transport allowances had been paid at Rs.30,000 per month to 11 Senior Executive Officers, Rs.20,000 per month for 41 Executive Officers and at Rs.13,250 per month to 85 others including Office Aides who were not entitled to officials motor vehicles. The total transport allowances paid contrary to the Circular instructions in the preceding year and the year under review amounted to Rs.28,348,259 and Rs.27,794,875 respectively.

(ii) Contrary to the Circular provisions, fuel allowances totaling Rs.2,470,194 comprising Rs.543,994 at Rs.22,680 per month to two officers, Rs.1,787,500 at Rs.19,440 per month to further 08 officers and Rs.138,700 at Rs.14,440 per month to yet another officer who are not entitled to official motor vehicles had been paid.



- (g) Management Services Circular No.49 of 24 December 2012
- Even though bonus equivalent to a maximum of Rs.10,000 could be paid in accordance with the circular, contrary to such provision bonus equivalent to the basic monthly salary of each employee had been paid during the year under review. The total bonus so paid amounted to Rs.3,405,591.
- (h) Public Finance Circular No.446 of 01 September 2010
- The mobile phone bills ranging Rs.14,000 to Rs.60,000 per month of two officers in respect of the years 2010 and 2011 had been paid by the Authority. Such payments made exceeding the limits amounting to Rs.150,149 and Rs.6,846 had not been recovered from those officers even by the end of the year under review.
- (i) Treasury Circular No.IAI/2002/02 of 28 November 2002
- A separate Register of Fixed Assets had not been maintained for computers, accessories and software.
- (j) Presidential Secretariat Circular No.CSA/PI/40 of 28 February 2007
- The following expenditure had been incurred from the Fund of the Authority contrary to the Circular.
- (i) A sum of Rs.768,273 had been spent for accommodation and food provided from luxury hotels for the officers of the Civil Aviation Authority who participated to the opening ceremony of the Airport at Mattala
  - (ii) A sum of Rs.2,747,241 had been spent for accommodation and food provided from luxury hotels for the officers of the Authority in connection with duty, seminars and workshops.



2:4 Transactions not supported by Adequate Authority  
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Several salary increments had been granted in one instance to the Drivers and office Aides of Authority equivalent to about 5 per cent increase in their salaries without obtaining the Treasury approval.

3. Financial Review  
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3.1 Financial Results  
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According to the financial statements presented, the financial results of the operations of the Authority for the year under review had been a surplus of Rs.813,671,859 as compared with the corresponding surplus of Rs.618,187,444 for the preceding year, thus indicating an improvement of Rs.195,484,415 as compared with the preceding year. The increase of operating income and the income from the supply of services had been the major impact for the improvement of financial results for the year under review.

3:2 Analytical Financial Review  
-----

The increase of air passenger movements in the year under review as compared with the preceding year had resulted in the increase of income from foreign sales surcharge by 19.8 per cent and the increase of the expenditure during the year under review resulting from the increase of expenditure on the staff and on foreign seminars and workshops had been 1.55 per cent.

4. Operating Review  
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4.1 Performance  
-----

The following observations are made.

- (a) According to the information made available to audit, an analysis of the progress of the main operating activities of the year under review as compared with those of the two preceding years are given below.



Item	Particulars	2013	2012	2011
-----	-----	-----	-----	-----
(i) Aircraft Movements	<ul style="list-style-type: none"> <li>Chartered Flights</li> <li>Regular Flights</li> </ul>	2,556 48,413	2,118 46,616	1,782 41,891
(ii) Inspections Completed (Number)	<ul style="list-style-type: none"> <li>Air Navigation Services</li> </ul>	01	01	01
(iii) Safe/Secure and supervision Activities performed	<ul style="list-style-type: none"> <li>Number of Ramp Inspections (Airworthiness)</li> <li>Aerodrome</li> <li>Dangerous Goods</li> <li>Flying School Inspections (personal Licenses)</li> <li>Station Facilities Operating</li> </ul>	- 39 09 08 00	- 19 18 14 02	65 20 35 13 04

- Even though the aircraft arrivals and air operations in Sri Lanka had gradually increased annually, it was observed that the inspections relating to the regulation of civil aviation services had not been increased adequately.
- Even though the information on the courses of action taken by the Authority on the reporting of air accidents resulting during the course of air operations inspections carried out and minimization of such incidents was called for by the audit, no particulars whatsoever had been made available to audit. As such an extensive analysis of the operating performance of the Authority could not be carried out.

(b) No-revision of Fees for Services provided by the Civil Aviation Authority

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The charges levied by the Authority for the various services performed by the Authority such as issue of Aircraft Pilot Licences, granting approval for Telecommunication Signal Towers, granting approval for high-rise buildings, etc., had been last revised in the year 2006 and the charges had not been revised over a period of 07 years.



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

(i) Fees Recovered

Category of Licences	Basic Licence Fee	Evaluation Fee	Renewal Fee	Evaluation of Renewal
	Rs.	Rs.	Rs.	Rs.
Pilot-Student	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 Traffic Control	1,380	500	345	750
Air Operating Engineer	2,070	1,500	-	-

It was observed that the charges levied for the above services are not adequate to meet the costs incurred by the Authority.

(ii) Issues and Renewal of Licences

Category of Licences	2013	2012	2011	2010
Pilot-Student	231	155	115	142
Pilot – Private	110	94	98	76
Pilot - Commercial	339	264	317	300
Pilot -Air Transport	498	414	382	359
Air Traffic Control	26	44	81	91
Air Operating Engineer	05	113	173	283

(c) Aircraft Incidents

Even though the information on the aircraft incidents reported to the Authority, the inspections carried out on those incidents, the files maintained by the Authority and guidelines issued and orders made by the Authority from time to time were called for in audit to issued ascertain whether the Civil Aviation Authority established for the regulations of Civil Aviation Services are executed effectively and according to the International Standards, any information whatsoever relating thereto had not been furnished and as such as analysis of the performance of the Authority could not be carried out.



#### 4:2 Management Inefficiencies

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The following observations are made.

- (a) Instead of carrying out the new constructions and improvements relating to the building taken on rent for the Head Office of Authority through the owner of the building, the Authority had spent a sum of Rs.28,214,123 in that connection. Even though a sum of Rs.3.5 million out of that had been spent for the construction of a new building without the approval of the Municipal Council in the premises of the car park attention had not been paid to set off that expenditure against the building rent.
- (b) Action had not been taken for the recovery of the Value Added Tax amounting to Rs.32,688,455 overpaid compute the tax accurately over a period exceeding two preceding years due to the failure to.
- (c) Several instances of the violation of statutory laws, rules, revealed were pointed out in the previous Audit Reports, and even the Committee on Public Enterprises had expressed its concern to those matters. But it appears that the management had not paid attention to avoid such weaknesses.

#### 4:3 Transactions of Contentious Nature

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The following observations are made.

- (a) Sums totalling Rs.94,652 had been spent from the Fund of the Authority for the printing of visiting Cards for the officers of the staff of the Authority and for sending wreath to the funerals of family members of the staff.
- (b) According to the Scheme of Recruitment for the posts of Deputy Director (Aircraft) and the Deputy Director (Air Navigation) the possession of the Air Traffic Controller Licence is a compulsory requirement. But four officers with that qualification recruited and been paid Rs.1,200,000 in the year under review at Rs.25,000 per officer per month. Nevertheless, the Air Traffic controller Licences of those officers, to whom professional allowance is paid, had not been renewed over a number of years.



- (c) The Authority had spent a sum of Rs.525,200 for obtaining Hospital and surgical Insurance cover for 08 officers recruited on contract basis including 05 Directors and their families.
- (d) An officer recruited to the Ministerial staff had been granted a permanent appointment in the Authority while in active service in the Ministry. He had been paid Rs.3,051,897 on account of salary, fuel allowance, medical insurance cover and foreign travel expenses during the preceding years and the year under review, though he had not reported for service in the Authority even for a single day.
- (e) The Authority established solely for the purpose of regulating aviation services had recruited a Marketing Promotion Consultant on contract basis without the approval of the Department of Management Services, at a monthly salary of Rs.80,000. That officer had been paid a sum of Rs.1,328,294 during the year under review as salary, cost of foreign travel and other expenses though he had not reported for duty even on a single day.
- (f) The centenary celebration on Civil Aviation Services in Sri Lanka which fell in the year 2011 and not been held in that year, had been held at a cost of Rs.14,000,000 in the year 2012 without the co-operation of the line Ministry, the companies and other institutions. But the expenditure amounting to Rs.1,320,000 incurred in the year under review is a contentious issue.
- (g) An agreement for the payment of a sum of Rs.330,000 had been signed with an external individual whose assistance had been sought for the preparation of in Financial Regulations of the Authority. The sum of Rs.66,000 paid in that connection in the year under review only had been brought to account.

#### 4:4 Uneconomic Transactions

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- (a) An unfavourable clause requiring the Authority to pay the annual increase of rates had been included in the rent agreement entered into for the building taken on rent by the Authority and as such additional rates amounting to Rs.285,390 had been paid from the Fund of the Authority during the year under review.





- (b) The Civil Aviation Authority had held an open air workshop on the Creatively and Creative Thinking Concept in a luxury hotel in Giritale, Polonnaruwa and a sum of Rs.1,801,542 had been spent on accommodation, food and drinks and transport in this connection. The workshop of 6 hours duration had been held far away from the Colombo City. Action contrary to the Circular No.CSA/P1/40 dated 28 February 2007 of the Presidential Secretariat had been taken.

#### 4:5 Identified Losses

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The following observations are made.

- (a) Even though a period of one year had elapsed in the year under review since the misplacing of a Multimedia Projector purchased for Rs.145,000 in the year 2010, prompt action had not been taken for the recovery of the loss from the officers responsible. Similarly, no disciplinary action had been taken against the officer for taking out the equipment from the Authority premises without proper authority.
- (b) An overpayment of income tax amounting to Rs.6,110,895 had been made in the year 2009/2010.

#### 4:6 Fruitless Expenditure

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The Civil Aviation Authority had paid a sum of Rs.2,840,572 for the 09 officers who participated in the Fiftieth Conference of the Civil Aviation Services Directors General on the Asian and Pacific Zone held in Bangkok, Thailand. The following observations are made in this connection.

- (a) A sum of Rs.839,212 had been spent on the tour of three officers who did not possess the technical knowledge or professional qualifications in that field who could not provide any benefit to the country or the Civil Aviation Authority.
- (b) Three officers who participated including an officer on probations have since left the services of the Civil Aviation Authority and the Authority had incurred fruitless expenditure of Rs.874,644 as subsistence allowance, cost air travel tickets and incidental allowance.



4:7 Resources of the Authority given to other Government Institution  
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The Authority had spent a sum of Rs.1,774,879 on account of sundry expenses of the Ministry contrary to Section 3.8.9 of the Public Enterprises Circular No.PED/12 of 02 June 2003, while 05 motor vehicles and 07 officers of the Authority had been released to the Ministry. The Authority had spent during the year under review Rs.1,643,751 and Rs.3,125,074 as the cost of fuel and the repairs of those motor vehicles respectively while a sum of Rs.2,828,670 had been spent on the salaries and allowances of the offices.

4:8 Staff Administrations  
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The approved cadre of the Authority had been 166 and 20 vacancies existed as at the end of the year under review. Out of that 19 vacancies related to Executive Grades.

5. Accountability and Good Governance  
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5.1 Budgetary Control  
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Comparison of the estimated income and expenditure for the year under review with the actual income and expenditure revealed significant variances ranging from 180 per cent to 92.64 per cent, thus indicating that the budget had not been made use as an effective instrument of management control.

6. Systems and Controls  
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Deficiencies 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 area of control.

- (a) Accounting
- (b) Collection of Income
- (c) Inspections of Aircraft Incidents
- (d) Budgetary Control
- (e) Expenditure Management
- (f) Contract Administration
- (g) Staff Loans

  
W.P.C. Wickramaratne  
Acting Auditor General.

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

FN/12/4

01.04.2015

Auditor General,  
Auditor General's Department,  
Battaramulla.

The Report of the Auditor General of the Civil Aviation Authority of Sri Lanka as per Section 14(2) (c) of the Finance Act No.38 of 1971 regarding the Financial Statements for the year ended on 31<sup>st</sup> December 2013.

The Comments and Clarifications regarding the observations mentioned in your aforesaid Report of No.TC/B/CAASL/F/A 2013 dated 31<sup>st</sup> March 2015.

The Government of Sri Lanka has undertaken binding obligations of the Convention on International Civil Aviation and ratified as a binding state to function in accordance with approximately ten thousand (10,000) international standards and recommended procedures stipulated in the annexure 19 affiliated to the Convention. Accordingly, Civil Aviation Authority, which has bound to accomplish the task of implementing and regulating the activities pertaining to the Civil Aviation within the country on behalf of the Sri Lankan Government, is consistently subjected to the Audits conducted by the International Civil Aviation Organization with the intention of reviewing the interest and commitment of the Government of Sri Lanka in the implementation and regulation of the activities pertaining to the Civil Aviation Services within the Country and the progress achieved in relation to such matters by the Sri Lankan Government.

The necessity of having an administratively and financially independent and flexible Civil Aviation Authority in a country for effective regulation of the Civil Aviation Services in such a country has been a very strongly addressed issue of the International Civil Aviation Organization.

The identified necessity acted as the prerequisite for transforming the Civil Aviation Regulatory Mechanism of the Country which existed as a Department up to the year 2002 in to the Civil Aviation Authority of Sri Lanka with the required legal provisions with the objective of enabling independent functioning in administrative and financial areas as recommended through an evaluation conducted by the International Civil Aviation Organization in the year 1997.

The capability and the restrictions of the Authority to maintain its functions independently and efficiently are majorly investigated at the above Audits conducted by the International Civil Aviation Organization. They focus their attention on all the internal documents including the Annual Report of the Authority and external audit queries.

Thereby, you are kindly requested to pay your attention in the preparation of your Audit report regarding the Authority broadly and impartially on the internationally accepted duties that should be accomplished by the Authority and the current legal framework that has been formulated for the accomplishment of such duties and the unfavorable influence that the entire country has to be confronted with in case the Civil Aviation of the country be trivialized before the international community.

## 2.2 Comments on the financial statements.

### 2.2.1 Accounting Deficiencies.

Provisions have been made in the programme budget of the year 2013 for the purchase of the said vehicles and the approval of the General Treasury had also been obtained. However, the purchase of vehicles was suspended by the Budget Circular No.159 dated 04.06.2013 and the approval of the General Treasury was granted again on 12.12.2013 for the purchase of vehicles.

The procurement procedure had been finalized as per the Procurement Guidelines and the purchase order had been sent to the related suppliers on 18<sup>th</sup> and 31<sup>st</sup> December 2013.

Since the Civil Aviation Authority is subjected to the liability with the suppliers with the issuance of purchase order, the amounts had been included in the accounts as current assets and liabilities in the year 2013.

### 2.2.2. Lack of evidences for the Audit.

- a) The original copies of the bills had been filed in a separate file for submitting to the Department of Inland Revenue for claiming VAT refunds. But original copies could have been submitted to the Audit if an inquiry was made to produce the originals copies for the Audit.

(b)/(c) / (d)

- The relevant parties were informed to provide the information and arrangements have been made to forward them immediately after we get the information.

## 2.3. Noncompliance with Laws, Rules, Regulations and Management Decisions.

- (a) (i) / (ii) Financial provisions required for the performance of functions and duties of the Civil Aviation Authority of Sri Lanka are not allocated from the Annual National Budget. The provisions required by the Authority for that purpose are funded by the activities of the Authority itself.

In terms of the Section No.07 of the Finance Act No.38 of 1971, the Board of Directors of the Authority are bound to substantiate that the provisions required for the performance of the function and duties of the Authority are available at least for a period of 05 ensuing years.

The surplus amount had been invested subsequent to obtaining the consent of the Minister in charge of the Subject and the approval of the Minister of Finance and Planning under the Section 16 of the Civil Aviation Authority Act to invest the surplus when the financial balance of the Authority exceeds Rs.05 million. The approval of the General treasury had been granted for the construction of the head office building of the Authority, Construction of Mattala office and official quarters at Weerawila indicated in the business plan which had been approved by the Board of Directors and sent to the General Treasury. The consent of the Minister in charge of the subject and the approval of Minister of Finance and Planning

had been obtained for the retaining an amount of Rs.1200 million as a reserve for the capital expenditure and for investing the said amount of money in treasury bills. The amount of money has been invested and retained for utilizing them for the performance of such identified functions and duties.

However, amounts of Rs.250 million, Rs.350 million, and Rs.200 million had been remitted to the General Treasury by the Authority in the years 2011, 2012 and 2013 respectively.

- (b) Since the vehicles of the Authority are not adequate to be deployed for day to day activities, the vehicles used by officers who are entitled to use vehicles for their personal requirements are also used for the other requirements of the Authority during the office hours. Accordingly, the emblem of the Authority had not been fixed to vehicles as they are used by officers who are entitled to use vehicles for their personal activities.
- (c) This issue had also been indicated in the report of the Auditor General issued under No.14 (2) C of the Finance Act in relation to the year 2012, the responses had been provided by the Authority in that regard.

The covering approval of the Procurement Committee of the Ministry had been obtained as per the observations mentioned in the Audit Report.

- (d) (i) It is not possible to get a clear understanding about the matters which had been the base for the Audit observations as there is no preliminary audit query referring to the exact time periods in this connection. Therefore, it is difficult to express a view on the amount. However, allocation of vehicles or allocation of fuel for the aforesaid vehicles or provision of a fuel allowance had not yet been provided to the officers except the Chairmen of the Authority. The vehicles have been utilized not only for the transport requirements of the respective officers but also deployed for various duties of the Authority as the vehicle Pool. Therefore, it is not possible to mention that the total expenses indicated in the Para had been incurred only on the officers mentioned there.

(ii) A vehicle has not been allocated for the Director General as indicated in the Audit Query.

- (ii) The Board of Directors had granted their approval for this insurance cover as per the Provision No.9.3.4. stipulated in the Staff Rules and Administrative Procedures Manual (SLCAP 5000) of the Civil Aviation Authority of Sri Lanka which had been approved by the Cabinet of Ministers and payments had been made accordingly.

- (iii) (i) Payments had been made as per the Provisions stipulated in the Staff Rules and Administrative Procedures Manual (SLCAP 5000) approved by the Cabinet of Ministers.

(ii) The responsibilities and duties assigned to the designation of the Director General are quantitatively high and thereby it is required to appoint an officer having the required proficiency to assist in the performance of such duties with the objective of facilitating the supervision in relation to works of the Authority and as an appreciation of the service competency and the technical knowledge of the Senior Director, a post of Senior Director had been created by the Board of Directors under the Provisions stipulated in the Civil Aviation Authority Act and the Board had decided to pay special allowance to the post and the payment had been made accordingly. The Ministry of Finance and Planning and the Salary and Cadre Commission had permitted the Authority to create such a Post subsequent to considering the necessity of such a Post.

- (e) The PAYE taxes of the employees are incurred by the Authority as per Provisions stipulated in the Staff Rules and Administrative Procedures Manual (SLCAP 5000) of the Civil Aviation Authority approved by the Cabinet of Ministers on 06.02.2008.

Further, the Staff Rules and Administrative Procedures Manual (SLCAP 5000) of the Authority was re-submitted to the Cabinet of Ministers as per the instructions made by the Parliamentary Committee on Public Enterprises held on 12.11.2012 and the Cabinet of Ministers had examined the Staff Rules and Administrative Procedures Manual (SLCAP 5000) and had appointed a committee with the chairmanship of the Ministry of Finance. According to the report of the Committee, it had been recommended that the Authority is able to further function in terms of the Provisions stipulated in the Staff Rules and Administrative Procedures Manual (SLCAP 5000) which is being currently effective and the approval of the Cabinet had been granted for the recommendations of the Committee.

- (f) (i) The payment had been made as per the Provisions stipulated in No.9.3.4. of the Staff Rules and Administrative Procedures Manual (SLCAP 5000) of the Civil Aviation Authority approved by the Cabinet of Ministers.

(ii) The payment had been made as per the Provisions stipulated in No.9.6. of the Staff Rules and Administrative Procedures Manual (SLCAP 5000) of the Civil Aviation Authority approved by the Cabinet of Ministers.

- (g) In the terms of section 9.4 of the Staff Rules and Administrative Procedures Manual (SLCAP 5000) of the civil Aviation Authority approved by the Cabinet of Ministers, it is stipulated that the payment of bonus for the officers can be paid up to the monthly basic salary drawn by each officer and it had been decided at the 91<sup>st</sup> meeting of the Board by Directors held on 13.12.2012 to pay the bonus accordingly. Instructions were issued in Section 4.4 of the Management Services Circular No. 01/2013PED (1) dated 09.12.2013 to pay bonus in the year under review based on the administrative procedure followed by the each institution with regard to payment of Bonus in the previous year. Thereby, bonuses had been paid up to an amount equal to the basic salaries of Officers also in the year 2013.

- (h) Since the amounts are the expenses incurred on telephone calls taken by the relevant officers on official requirements, arrangement cannot be made to recover the expenses from the officers.

- (i) Your observation is admitted thankfully. Particulars regarding the computers and accessories prepared according to another format in the previous years have been prepared in accordance with the format stipulated in the relevant Circular.

- (j) (i) The Officers of the Civil Aviation Authority have been officially invited by the Airport and Aviation services (Sri Lanka) Ltd. to participate in the Ceremony conducted with the leadership of his Excellency the President and the expenditure had been incurred for making the Officers participated in the event officially.

Since the construction and opening of such International Airports in a small country like Sri Lanka is a very rare event, it had been decided to make the Officers of the institution which has been established as the Civil Aviation Regulatory institution of Sri Lanka participated officially in such an event.

(ii) The workshop was conducted with the coordination of the Chairman and the Consultant of HE the President, Prof. Ranjith Bandara of the Sri Lanka Foundation Institution in view of developing the concepts of creativity and creative thinking of the employees serving in the Civil Aviation Authority. The objectives of the institution could be achieved more

successfully by conducting the workshop for the entire staff which cannot be achieved by conducting individual training sessions to individual officers.

## 2.4 Transactions which had not been confirmed by an Adequate Authority.

This payment had been approved by the Board of Directors as per the Provisions stipulated in 6.10.4 of the Staff Rules and Administrative Procedures Manual (SLCAP 5000) of the Civil Aviation Authority approved by the Cabinet of Ministers.

## 03. Financial and Operational review

### 3.1 Financial review

### 3.2 Analytical Financial review

## 04. Operational review

### 4.1 Performance/(c)/(d)

(a)

- Non approval of the proposals submitted to the Department of Management Services in the year 2012 for increasing the number of technological employees required for the due review of the Local Aviation Service field which expands from year to year and for increasing salaries and allowances for them and leaving the Authority by the members of the staff for getting foreign employment opportunities or attractive job opportunities in the industry is a major factor effecting the performance of the field. 263 and 102 numbers of RAMP inspections had been conducted in the years 2013 and 2012 respectively for evaluating the aeronautic competence.
- All the accounting books and other information required by the audit in terms of the Section 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka and 13(5) the Financial Act. No.38 of 1971 and the Audit on finance and accounts applicable to the Audit had been forwarded to the respective officers by the Authority.

However, the use of data and information pertaining to the inspections of Aircraft Accident and incident is not permitted by law for utilizing for activities extraneous to the functions specified in terms of the Standards stipulated in the Annexure 19 of the Convention on International Civil Aviation made effective by Sections 57 and 61 of the Civil Aviation Act No.14 of 2010 and Section 2 of the same Act which are in force in relation to the information on inspections on air craft accidents, the request forwarded to the authority had been submitted to the Secretary to the Ministry for necessary instructions and the response of the Secretary in that regard has been referred to the Auditor General with a copy to the Authority.

- (b) Fees charging for services rendered by the Civil Aviation Authority has been revised with effect from 01<sup>st</sup> August 2014.
- (c) Answer to audit queries made in 4.1 above is applicable here.

## 4.2 Management Inefficiencies.

- (a) This was an expenditure incurred in the year 2011. It had also been inquired in the Report of the Auditor General issued under No. 14(2) C of the Finance Act in the relation to the year 2012 and answer had been provided for the audit query.

Since the initial lessee of the "Supreme Building", then Ministry of Tourism had informed the Authority that it had been decided to obtain the above building for the establishment of the Ministry of Economic Development, the Authority had to find another location very quickly. The owner of the Jinasena building agreed to lease out the building with the prevailing condition of the building and he did not agree to undertake the required alterations incurring any expenditure. The inability of finding another appropriate building within the Colombo city within the limited time period and the provision of space free of charge for parking a large number of vehicles within the premises of the building, the Authority decided to purchase the building on lease subsequent to obtaining the approval of the General Treasury for the rates submitted by the owner of the building.

Please be kind enough to consider that the surrounding of institution had to be improved for the performance of the functions, duties and responsibilities of the Authority and to create an environment for safeguarding the identity, pride and the institutional image before the foreigners constantly arriving the Authority as the owner of the Jinasena building which had been Provided for the authority did not agree to incur any additional cost and the inability of finding another alternate building for long term usage.

- (b) Depiction of a VAT Tax value to the effect that it should be receivable from the Department of Inland Revenue is not because of the miscalculation done by the Authority. It is due to the requirement of obtaining the VAT invoices made by the Department of Inland Revenue for the Audit. Action had been taken continuously to obtain the Amount. Auditing of the reports pertaining to the period up to 31.12.2010 are being finalized and the examination of the documents pertaining to years 2011 and 2012 have already been commenced.
- (c) Arrangement had been immediately made to rectify the shortcomings pointed out at the audit and special attention had been paid to recommendations issued by the Committee on Public Accounts and action has been taken to implement all the recommendations of the Committee.

## 4.3 Transactions of Contentious Nature

- (a) The visiting cards had been provided only to officers serving in the authority. The expenses had been incurred on behalf of the Authority on two instances where funerals for which an institution functions very closely with the Authority and contributes very strongly in the functioning of the Authority intended to express its sympathies and therefore, the Authority was of the opinion that it should participate in the funeral. These expenses had not been incurred for the funerals of the families of the employees.
- (b) This payment had been made as per the Provisions of the Staff Rules and Administrative Procedures Manual (SLCAP 5000) of the Civil Aviation Authority.
- (c) Since all the employees of the Authority are entitled to the medical Insurance scheme stipulated in the SLCAP 5000 of the Civil Aviation Authority approved by the Cabinet of Ministers, officers recruited on contract basis had been provided with this facility. The Members of the Board of Directors are not provided with this facility at present



- (d) It had also been inquired in the Report of the Auditor General issued under No. 14 (2) C of the Finance Act in the relation to the year 2012 and answer had been provided for the audit query.  
As per the direction made by the Hon. Minister of Civil Aviation in terms of Section 31.1 of the Civil Aviation Act, an officer had been appointed by attaching the Authority for Planning and Development Activities of the Authority and the officer had then been attached to the Hon. Minister's Office up to October 2012 as per the directive made by the Hon. Minister.
- (e) The appointment had been made on the approval of the Authority considering the direction sent by the Hon Minister in terms of the powers vested with him by Section 31.1 of the Sri Lanka Civil Aviation Act. No. 34 of 2002.
- (f) The amount is an additionally incurred amount than the amount agreed upon by the relevant institutions at the beginning as accrued expenses in the year 2012 from expenses for the ceremony conducted with the participation of His Excellency the President to mark the occasion of the completion of 100 years to the Sri Lanka Civil Aviation Service in the year 2012. However, arrangements had been made to share the total expenses incurred in this regard with the other institutions.
- (g) Action had been taken to function as your instructions in the year 2013 too since you had indicated that the inclusion of Rs.3,30,000 under Current Liabilities and Assets in the year 2012 was not accurate. However, your present observation in this regard has already been taken into consideration and noted down for effecting the required revisions in the final accounts prepared for the year 2014.

#### 4.4 Non economical transactions.

- (a) Even though discussions were made to renew the rental agreement in order to remove the unfavourable issues depicted in your observations, the owner of the building did not agree to do so. He informed us that he had to raise the rental rates if the unfavourable issues have to be removed.

The CAA had to function in this way since it was difficult to find a building again for an amount of Rs.100/= per one square feet from the Colombo city where a higher commercial demand is prevailing for buildings and since it is meaningless to shift to another rented out building again after arrangements had been made to construct a Head-office building.

- (b) The workshop was conducted by the Chairman and the Consultant of President, Prof. Ranjith Bandara of the Sri Lanka Foundation Institution in co-ordination with the same institution in view of developing the concepts of creativity and creative thinking of the employees serving in the Civil Aviation Authority.

The Board of Directors who have identified that the outcome anticipated from the work shop can be well accomplished by making the Officers participated in the Work shop outside the monotonous office environment where the Officers serve daily for creating the required and the appropriate environment necessary for such workshops has approved the conduct of the work shop.

## 4.5 Identified Losses

- (a) The relevant officer had been warned in this regard and a disciplinary action had been conducted against the officer. Action had been taken to recover the cost of the machine plus an additional amount of 25% from the officer.
- (b) Income taxes had not been paid additionally in the year of assessment 2009-2010.

## 4.6 Fruitless Expenses

Since it had been suggested to hold the Conference of Director Generals of Civil Aviation for the year 2016 in Sri Lanka, this team were participated by the approval of the Authority to provide them with the understanding, experience and knowledge required for organizing the Conference.

## 4.7 Resources of the Authority provided to the other Governmental Organizations

The Authority had to function in this way in order to adhere to the directive made by the Hon. Minister.

## 4.8 Administration of the Staff

Non approval of the proposals submitted to the Department of Management Services in the year 2012 for increasing the number of technological employees required for the due review of the Local Aviation Industry which expands from year to year and for increasing salaries and allowances for them and leaving the Authority by the members of the staff for getting foreign employment opportunities or attractive job opportunities in the industry is a major factor effecting the performance of the field.

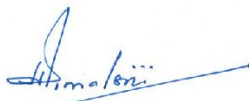
## 5. Accountability and Good Governance

### 5.1 Budget Control

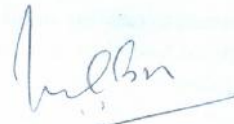
## 6. Systems and Controls

I have paid my attention to important and valuable matters depicted in the Audit and I like to inform you that I will take remedial actions to prevent such occurrences in the future and thereby, to improve the performance of the Authority.

Further, I would like to request you kindly to revise the draft audit queries by taking into consideration the clarifications made above.



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



Shibly Aziz PC  
Chairman

