



Safe and Efficient Skies for all



ANNUAL REPORT 2016

Civil Aviation Authority of Sri Lanka



Safe and Efficient Skies for all

CIVIL AVIATION AUTHORITY OF SRI LANKA

Annual Report - 2016

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



“Safe and Efficient Skies for All”

THEME SONG OF THE CIVIL AVIATION AUTHORITY OF SRI LANKA

Sri Lanka, Civil guwan seva adikariya
kith yasin sudile
heli kota heli hele //

Sakvithi ravana aadi yugeth
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
vagakeemen pudamu//

Lyrics : Late Kalasuri. Arisen Ahubudu
Singer : Late Kalakeerthi Deshamanya Dr. Pundit W. D. Amaradewa
Melody : Late Kalakeerthi Deshamanya Dr. Pundit W. D. Amaradewa

HON. MINISTER OF TRANSPORT & CIVIL AVIATION,

The Annual Report - 2016 was prepared in fulfillment of the requirement specified under Section 15 of the Civil Aviation Authority of Sri Lanka Act No. 34 of 2002. It contains a summary of major activities that the Civil Aviation Authority of Sri Lanka performed during the period from 01st January 2016 to 31st December 2016 and the Statement of Financial Position of the Authority for the Financial Year 2016.



Ananda Wimalasena
Chairman

Civil Aviation Authority of Sri Lanka
28th February 2017

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“Safe and Efficient Skies for All”

DESTINATIONS LINK TO SRI LANKA

ABBREVIATIONS

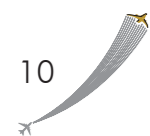
AE	Aerodromes
ANS	Air Navigation Services
AASL	Airport & Aviation Services (Sri Lanka) Ltd
AIU	Accident Investigation Unit
ADG	Additional Director General
AME(BL)	Aircraft Maintenance Engineer (Basic Licence)
AML	Aircraft Maintenance Licence
AMO	Approved Maintenance Organization
AMT	Aircraft Maintenance Technician
ANR	Air Navigation Regulations
AOC	Air Operator Certificate
AS	Aeronautical Services
ASN	Aviation Safety Notice
AT&LA	Air Transport and Legal Affairs
ATC	Air Traffic Control/ Air Traffic Controller
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
CEO	Chief Executive Officers
COSCAP-SA	Co-operative Development of Operational Safety and Continuing Airworthiness Programme – South Asia
CSI	Cabin Safety Inspector
C of R	Certificate of Registration
D	Director
DDG/ASR	Deputy Director General (Airspace and Security Regulation)
DDG/CAER	Deputy Director General (Corporate Affairs and Economic Regulation)
DDG/FSR	Deputy Director General (Flight Safety Regulation)
D/AED	Director/Aerodromes
D/ANS	Director/Air Navigation Services
D/AOps	Director/Aircraft Operations
D/ARAW	Director/Aircraft Registration and Airworthiness

D/ATER	Director/Air Transport and Economic Regulation
D/AvS	Director/Aviation Security
D/HROM	Director/Human Resources and Office Management
D/RFM	Director/Revenue and Finance Management
D/TOPL	Director/Training Organization and Personnel Licensing
D/RDSP	Director/Research, Development Planning and Special Programmes
D/QIA	Director/Quality and Internal Audit
DG	Dangerous Goods
DGCA	Director General of Civil Aviation
FIR	Flight Information Region
FS	Flight Safety
IA	Internal Audit
ICAO	International Civil Aviation Organization
PBN	Performance Based Navigation
FPP	Flight Procedure Programme
MRIA	Mattala Rajapaksa International Airport
NCASP	National Civil Aviation Security Programme
PEL	Personnel Licensing
PLO	Personnel Licensing Officer
RPK	Revenue Passenger Kilometres
RTK	Revenue Tonne Kilometres
SARPs	Standards and Recommended Practices
SARI	South Asia Regional Initiative
SLAS	Sri Lanka Accounting Standards
SLCAP	Sri Lanka Civil Aviation Publication
SLFRS	Sri Lanka Financial Reporting Standards
RDSP	Research, Development Planning and Special Programmes
SMS	Safety Management System
SSP	State Safety Programme
USAP	Universal Security Audit Programme
USOAP	Universal Safety Oversight Audit Programme

“Safe and Efficient Skies for All”

DIRECTORY

- Head Office** : Civil Aviation Authority of Sri Lanka
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Website: www.caa.lk
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Telegraphic Address : AIRCIVIL
AFTN Address : VCCCYAYX
- Katunayake Office** : Civil Aviation Authority of Sri Lanka
FD II, Departure Terminal
BIA, Katunayake
Telephone : 94 - 11- 2252269
Facsimile : 94 - 11- 2252269
- Mattala Office** : Civil Aviation Authority of Sri Lanka
Mattala Rajapaksa International Airport
Mattala
Telephone : 94 - 47- 7510530
Facsimile : 94 - 47- 7510541
- Airworthiness Sub Office** : Civil Aviation Authority of Sri Lanka
Colombo Airport
Ratmalana
Telephone : 94 - 11- 3135828
Facsimile : 94 - 11- 2635756
- 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

“In developing Air Navigation Services (ANS) CAASL steered successful implementation of Performance Based Navigation (PBN) Flight Procedures for BIA, having coordinated for its validation with the International Civil Aviation Organization (ICAO). Regularity Guidance to the ANS Service Provider, AASL for the implementation of Automatic Dependence Surveillance - Broadcast ADS-B has been provided. ”



Year 2016 was a significant year for the aviation industry in terms of growth. Most of the International Airlines showed strong growth in capacity usage and profitability.

Civil Aviation Authority of Sri Lanka hosted the 53rd Director General of Civil Aviation – Asia Pacific Region Conference in August. This was a resounding success. Both the President of the ICAO Council and its Secretary General acknowledged that the Colombo Conference was one of the best organized meetings they have attended.

President of the Democratic Socialist Republic of Sri Lanka, His Excellency Maithripala Sirisena graced the Opening Ceremony of the Conference as the Chief Guest and Prime Minister, Hon. Ranil Wickremesinghe, was the Guest of Honor. Minister of Transport & Civil Aviation, Hon. Nimal Siripala de Silva, Hon Minister in Charge of Tourism, Hon. Deputy Minister of Transport and Civil Aviation and other distinguished guests also attended the opening function. Two other important meetings of the Asia Pacific Region, the 6th Regional Aviation Safety Group Meeting (RASG) and the 4th Regional Aviation Security

Coordination Forum (RASCF) were held concurrently prior to the DGCA Conference. 187 delegates attended the RASG Meeting while the RASCF was attended by 78. The DGCA Conference had 231 delegates attending.

The construction of the Head Office building near the BIA, Katunayake, has been one of the most important activities undertaken by the Authority. Work is progressing, albeit at a slower pace than anticipated. It is expected to be ready for occupation during the latter half of 2017.

Under Aircraft Operations activities, CAASL has commenced certification process of three applicants for the issue of Air Operator Certificates. Applications to import aircraft for private operations in Sri Lanka, by applicants who have expressed their interest to CAASL have been evaluated. Foreign Air Operators namely, Azur Air, Ukrainian Airlines, Neos Air, Biman Airlines, Sri Wijaya Airlines, Himlaya Airlines, Mega Global Maldives, Royal Flight, Thomson air and Poloska Airlines were issued with Foreign Air Operator Certificates to commence their operations to Sri Lanka.

Seven new Aircraft Maintenance Organizations were issued with licenses, while sixty six such licenses were renewed. A total of ten initial Certificates of Airworthiness were issued to new aircrafts and fifty six were renewed. During the year under review, CAASL continued with its surveillance activities, including a comprehensive audit conducted on the SriLankan Airlines Maintenance Facility.

In order to add value to service delivery and improve quality, Personnel Licensing Section was engaged in developing Computer Based Examinations to be incorporated into the CAASL, IT development plan.

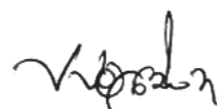
In developing Air Navigation Services (ANS) CAASL steered successful implementation of Performance Based Navigation (PBN) Flight Procedures for BIA, having coordinated for its validation with the International Civil Aviation Organization (ICAO). Regularity Guidance to the ANS Service Provider, AASL for the implementation of Automatic Dependence Surveillance – Broadcast ADS-B has been provided. Further, efforts were also continued for the development of Search and Rescue (SAR) operations, of aircraft in distress, including the proposed formation of a National SAR Organization in Sri Lanka through the assistance provided by Australian Maritime Safety Authority (AMSA), under the 3-year SAR Capability Partnership Programme (SCPP). The 1st Revision of Drone Regulations of Sri Lanka (SLCAIS-053) was finalized in collaboration with the MOD and inputs from ICAO guidance material. Assistance was also provided to AASL for successful recovery of long over-due Overflying/landing payments from several foreign Airlines.

The air transport sector in Sri Lanka has shown an appreciable growth in year 2016. Total passenger movements at BIA recorded 9.3 million, whilst 48% of these passenger were carried by the national carrier.

CAASL revenue has shown a 5% increase when compared to the previous year, actual income increasing from Rs. 1,579 Mn to Rs.1, 660 Mn. Significant increases were seen in the income from service charge collection of Embarkation Levy and from Regulatory Services.

I acknowledge with gratitude, the excellent work performed by the Director General of Civil Aviation and employees of CAASL at all levels. The successful completion of the DGCA – Asia Pacific Conference, was due to the overwhelming support from everyone involved. I profusely thank every one of them, for their dedication, loyalty & sense of responsibility.

I take this opportunity to thank the Board of Directors who have been mindful of their responsibilities at all times and for their assistance and advice. I also wish to thank the Hon. Minister of Transport & Civil Aviation, Secretary and the officials of the Ministry of Transport and Civil Aviation, for their co-operation and guidance.



Ananda Wimalasena
Chairman
Civil Aviation Authority of Sri Lanka



“Safe and Efficient Skies for All”

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

“Stringent and permanent restrictions placed on the civil operators for use of airspace over various places of the country were reviewed and in close coordination with Sri Lanka Airforce relaxed suitably paving way for efficient and economical use of the airspace.”



Global Situation

The air transport industry continued playing a major role in world economic activity with more emphasis being given to enhanced safety, security, regularity, efficiency and environmentally friendly International operations.

Majority of States were observed to be appreciating more the intrinsic potentials in aviation and giving due place to aviation in the hierarchy of State's priorities as aviation would help catalyze economic development, make businesses profitable, create jobs and wealth for businesses and individuals, enable social development, and facilitate education and an understanding of different cultures and peoples whilst providing expeditious access to global markets generating trade, commerce and tourism without any distinction between developed and developing nations.

By the end of 2016, the air transport industry supported 62.7 million jobs globally with direct employment of 9.9 million persons. Aviation's total global economic impact at the close of 2016 was estimated to be USD

2.7 trillion including its indirect and induced effects and the catalytic effects of tourism. Approximately 3.77 billion passengers and 53.92 million tonnes of freight were carried through air transport in 2016 generating a total of revenue of USD 701 billion. (-2.4% compared to 2015).

IATA reported that daily value of goods sent by air was USD 17.5 billion and 54% of international tourists travel by air. Research conducted in the US suggested that every 100 million dollars invested in aerospace yields an extra \$70 million in GDP year after year.

By the close of 2016, there were 1,402 commercial airlines operating 26,065 aircraft in commercial service into and out of 3,883 airports. In 2016, 36.6 million commercial flights were operated worldwide registering an occupancy rates of over 80% as against the break-even load factor of 60%, which is better than those of road and rail. Modern aircraft achieve fuel efficiencies of 3.5 liters per 100 passenger kilometers or 67 passenger miles per gallon.

All regions of the globe experienced positive passenger traffic growth of 5.9% in 2016

with Middle East carriers recording the strongest annual traffic growth at 10.8%. Both passenger yields and cargo yields of commercial airlines went down in 2016 registering a negative growth of 8% and 12.5 % respectively compared with respective figures in 2015. Expenses of global airlines (USD 643 billion) went down by 2.5%. Average price of Jet Kerosene in 2016 stood at USD 52.1 per barrel. Emission of CO₂ to atmosphere by airlines during the period of 2016 was 814 million tonnes. Airlines' average non-fuel unit cost stood at 40.1 USD cents per available tonne kilometer. IATA has further reported that margin of net profits of airlines was (USD 35.6 billion) 5.1 % and the Return On Invested Capital was 9.4% in 2016. The airlines have made an average of USD 9.4 of profits per departing passenger in 2016.

Air freight markets were substantially weaker as compared to the passenger figures, coming to the finish line with a modest 3.5 % growth in total freight largely due to subdued growth in emerging markets and developing economies, along with a more modest recovery in advanced economies.

Although there was a 6.2% growth in airline capacity as measured by airline seat kilometres (ASK) in 2016 the demand for ANS services grew markedly slower due to the increase in aircraft size.

In 2016, the Boeing Company delivered 748 commercial aircraft whilst Airbus was delivering 688 aircraft. Airbus had a backlog of 6,874 aircraft orders valued at more than \$1 trillion and Boeing had a backlog of 5715, which are nearly five years' production.

As global economies expand and airlines take delivery of tens of thousands of new commercial jetliners over the next 20 years, the aviation industry predicted that there would be unprecedented demand for people to pilot and maintain these airplanes. To meet this tremendous growth, the 2016 Boeing Pilot and Technical Outlook forecasted that between now and 2034, the aviation industry would need to supply more than one million new aviation personnel-558,000

commercial airline pilots and 609,000 maintenance technicians. Meeting this exponential demand for personnel will require innovative solutions that rely on the latest digital technology to match the learning requirements of a new generation. It has become a challenge to find instructors who have cross-cultural and cross-generational skills to engage tomorrow's increasingly diverse aviation workforce.

2016 was another year of contrasts when it comes to aviation's safety performance. In terms of the number of fatal accidents, it was an extraordinarily safe year with only 85 accidents and 6 fatal accidents resulting in 179 fatalities. The 2016 global accident rate (measured in hull losses per 1 million flights) was 2.46, which was the equivalent of one major accident for every 416,667 departures.

With the advancement of science and technology, operation of drones (pilotless aircraft) became popular amongst general public in 2016 posing a significant threat to flight safety. In April 2016, a drone struck an Airbus A320 of British Airways flight as it approached its destination, London Heathrow, following a departure from Geneva. While the jet and its 132 passengers and 5 crew members landed safely, the incident was investigated for possible criminal links, including terrorism. There were number such incidents reported throughout the year.

Asia-Pacific Regional Situation

According to IATA, the Asia Pacific region was observed to be achieving an unprecedented growth rate in aviation. This high growth rate is expected to continue in the coming decades, an observation backed up by the large number of aircraft scheduled for future delivery to carriers in the region. By 2030, it is estimated that air travel in Asia will be greater than Europe and North America combined. This growth is generating large regional economic impacts from aviation. However, there is concern that the development of aviation infrastructure in the region is not keeping pace with growth in demand, putting some of the potential future economic benefits of aviation at risk.

Domestic Situation

2016 was another significant year for Sri Lanka with no aircraft accidents or passenger casualties. The year registered an overall positive growth (year on year) in air transport with a 10 % increase in passenger movements (9.25 million), 18 % increase in cargo movements (254 thousands of MT) and 12 % increase in aircraft movements (65,608) into and out of Sri Lanka. Demand for domestic air travel has also shown a drastic increase with a total of 30,523 (+ 97%) passengers travelling in 5,974 (+72.6 %) domestic flights. Performance indicators shows that there is a good demand for domestic air travel.

During the year under review, SriLankan airlines rescheduled its route structure terminating flights to a number of destinations in Europe. Mihin Lanka Ltd. ceased operations with Sri Lankan airlines taking over both aircraft and operating routes of the former.

Bandaranaike International Airport, Colombo showed an overall high growth rate whilst Mattala Rajapakse International Airport remained without much attraction of either by local or foreign airlines.

Pursuant to the Budget proposals of 2016, the CAASL conducted a pre-feasibility study for development of domestic airports in Puttalam and Badulla Districts and reports were submitted to the Government for further directions. Development of Palaly, KKS airport was also pursued under the aegis of the Indian Government as per the bilateral agreements that had been reached between the two Governments.

CAASL guided the AASL for the successful completion of implementation of Performance Based Navigation (PBN) Flight Procedures for BIA improving safety in air navigation and giving various other cost and environmental benefits. Action was also initiated for the improvement of aircraft surveillance capacity of the State by introducing ADS-B.

Vesting of the Batticaloa airport in the Civil Aviation Authority of Sri Lanka by the Hon.

Minister of Transport and Civil Aviation under the powers vested him in terms of the Civil Aviation Authority of Sri Lanka Act No.34 of 2002 was a major step taken in 2016 for development of domestic civil aviation. A technical team called Sri Lanka Air Navigation Planning and Implementation Representative Group (SLANPIRG) was established for constant review and updating of the local infrastructure, activities and procedures in the field of air navigation aiming at effective management of Sri Lanka's airspace in congruence with the recommendation of ICAO Asia and Pacific Air Navigation Planning and Implementation Regional Group (APANPIRG).

Stringent and permanent restrictions placed on the civil operators for use of airspace over various places of the country were reviewed and in close coordination with Sri Lanka Airforce relaxed suitably paving way for efficient and economical use of the airspace.

The 53rd Conference of the Directors-General of Civil Aviation of the Asia and Pacific Region in Colombo from 01-05 August 2016 was held with a high spirit and grand scale with the participation of H.E.the President as the Chief Guest, Hon. Prime Minister as the Guest of honour and Minister of Transport and Civil Aviation. Participation of both the President of the ICAO Council and Secretary General of ICAO also added glamour. The Conference was attended by 236 delegates representing 34 States and 10 International Organizations and the total number of foreign visitors for the conference was 306. Foreign Exchange came in to the country in the form of guest's nights at hotels, foreign sponsorships and foreigners expenses for purchase of valued items is estimated to be approximately Rs. 32.12 million. As mentioned elsewhere in this report, it was of a grand success that brought benefits of manifolds to the country.

In the year under review, CAASL continued discharging its primary function of initial certification and post surveillance of organizations and personnel involved in safety sensitive activities of aviation. A series of measures were taken for the effective implementation of State Safety Programme

(SSP) that binds and monitor performance of the Operators, Training Organization and Service Providers under their respective Safety Management Systems (SMS).

A series of recruitments to various employment categories were made consequent to the restructuring Programme of the CAASL which was commenced in early 2012.

As far as the effective discharge of duties and functions, the CAASL continued to face with the main challenge of recruiting and retaining of skilled and experienced aviation professionals for the approved regular cadre. Without sufficiently skilled and competent personnel in employment, it is difficult for the CAASL to develop and maintain an effective State Safety Oversight system, which is subject to universal, systematic and mandatory audits conducted by ICAO on continuing basis to ascertain whether Sri Lanka as a Member State is in a position to discharge her obligations under the Convention on International Civil Aviation. Failure at the ICAO audits may entail serious adverse consequences not only on the local aviation industry but also on the whole economy of the State. The dearth of such aviation professionals is due to various factors as follows.

- Retirement of trained and experienced staff
- Absence of integrated national system for constant supply of needy professionals
- Insufficient Training capacity to meet demand
- Heavy competition with industry sectors for skilled employees
- Competition with the overseas counterparts for skilled staff and
- Dearth of affordable training.

Even at the ICAO audit conducted in 2010, Sri Lanka was found to be well over the global average with over 85% Effective Implementation of ICAO Standards in respect of seven other Critical Elements of an effective safety oversight system except the Critical Element relating to Personnel and Training where, Sri Lanka was assessed to be just below the global average with 50 % effective implementation. It is therefore necessary for the CAASL Board of Management to pay a greater attention to this problem and find reasonable and sustainable solutions.

The chapters following outline the major tasks and activities performed by the CAASL in the year 2016. I take this opportunity to thank all employees of the CAASL for their valued positive contribution to complete the Annual Work Programme -2016 successfully.

Equally, I wish to thank the chairman, vice chairman and all members of the Board for their unstinted support, cooperation and guidance to accomplish the CAASL's mission. Finally I thank the Hon. Minister of Transport and Civil Aviation, Deputy Minister of Transport and Civil Aviation, Secretary, Ministry of Transport and Civil Aviation and all staff in the Ministry for their support and cooperation to perform my duties as the DGCA and CEO of the CAASL.



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

CAASL'S 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. It is deemed a Public Enterprises 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 local civil aviation industry 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, in conformity with the applicable International Standards and Recommended Practices adopted by the International Civil Aviation Organization (ICAO) aiming at higher performance in safety, security, efficiency, regularity and environmental responsiveness of the industry that contributes to growth of the national economy, for enhancement of quality of life of citizens of the country.

The Civil Aviation Authority of Sri Lanka consists of eight (08) members and five (05) of them are appointed by the Hon. Minister in-charge of the subject of civil aviation. The Secretary, Ministry of Defence, a representative of the Hon. Minister in-charge of the subject of Finance and the Director – General of Civil Aviation are the other three members of 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 Ministers 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 the general direction and control of the Hon. Minister in-charge of the subject of Civil Aviation, who at present is Hon.Nimal Siripala de Silva, Minister of Transport and Civil Aviation.

Members of the CAASL

10th Board (From 12/10/2015)

- **Mr. Ananda Wimalasena**
Chairman of the CAASL
- **Mr. Kushan De Alwis, P.C.**
Vice Chairman of the CAASL
- **Prof. W. L. P. Perera**
Member of the CAASL
- **Eng. Sudharma Elakanda**
Member of the CAASL
- **Dr. Aminda Methsila Perera**
Member of the CAASL

The following members held office in 2016 as members appointed by the Minister.

Member's ex-Officio

- **Eng. Karunasena Hettiarachchi**
(Secretary /Defence)
- **Mrs. Anula Harasgama**
(Treasury Representative)
- **Mr. H.M.C Nimalsiri**
(DGCA/CEO)



BOARD OF
DIRECTORS

PROFILES OF THE MEMBERS OF THE 10TH BOARD (CURRENT)



Mr. Ananda Wimalasena - Chairman

Mr. Ananda Wimalasena assumed duties as the Chairman of the Civil Aviation Authority on 13th October 2015.

Mr. Wimalasena was the Chairman of the Airport & Aviation Services (SL) Limited, prior to this appointment. He also has held many other prestigious positions as the founder Managing Director of Asiri Hospitals Limited, Chairman of State Pharmaceutical Corporation, etc.

He is a science graduate and an accountant by profession. Mr. Wimalasena has wide experience in both the private and public sectors and is a product of Ananda College, Colombo and University of Ceylon, Colombo.



Mr. Kushan D' Alwis - Vice Chairman

Mr. Kushan De Alwis, President's Counsel is an old boy of S. Thomas' College Mount Lavinia. After passing out from Sri Lanka Law College he took oaths as an Attorney-at-Law on the 21.10.1985. Whilst at Law College he won the Hector Jayawardena Gold Medal in 1982 and was elected the President of the Law Students' Union for 1984.

He deviled in the Chambers of late Mr. J.E.P. Deraniyagala P.C. and of Mr. Daya Perera P.C. During a career spanning over 30 years as Counsel, his area of specialization has been civil, corporate, commercial and administrative law in both the original and appellate courts.

Further he has been actively involved in alternate dispute resolution mechanisms such as arbitrations, advising on corporate legal matters, regulatory frameworks, compliance requirements and legal due diligence. He was conferred Silk and took oaths as a President's Counsel in November 2012. Mr. D' Alwis was a member of the Law Commission of Sri Lanka from 2011 to 2015. He was also a member of the Panel of Legal advisers to the Tax Appeals Commission.

He was a Member of the Public Representations Committee on Constitutional Reform.

Mr. D' Alwis has the distinction of being featured in CHAMBERS ASIA published by Chambers and Partners, Legal Publishers, London which features Asia-Pacific's leading lawyers for business.



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 December 2002. He held the post of Assistant Director (Operations) in the Department of Civil Aviation since 1987 until he was appointed to act in the post of Director General of Civil Aviation in July 2002.

Mr. Nimalsiri is amongst the few officials who pioneered drafting of the new legislative framework paving way for the establishment of the Civil Aviation Authority of Sri Lanka and also for the enactment of the Civil Aviation Act No. 14 of 2010 which replaced the Air Navigation Act No. 50 of 1950. He was instrumental in revamping and updating the civil aviation regulatory system in Sri Lanka giving effect to all ICAO Standards and Recommended Practices in Sri Lanka.

During his career progression, Mr. Nimalsiri followed numerous specialized training courses overseas relating to personnel licensing, air transport, aviation safety & security, navigation services, safety auditing, safety management systems,

aircraft accident and incident investigation etc., and possesses extensive knowledge and experience in the field of civil aviation. He has also undergone ICAO Universal Safety Oversight Auditors Course, Safety Management Systems and State Safety Programme training courses.

Mr. Nimalsiri has taken part in various regional and international conferences on Civil Aviation and many bilateral air services negotiations with foreign States representing the CAASL and the former Department of Civil Aviation. In 2007 he was seconded under leave of absence granted by the Government of Sri Lanka to the International Civil Aviation Organization for a period of three years to function as the Programme Coordinator of the regional programme established by seven South Asian States for development of safety oversight capacities of the respective States through regional cooperation.

Mr. Nimalsiri has obtained a B.Sc degree from the University of Colombo and has followed 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. He has followed Aviation Safety and Security Management Certificate Programme conducted by the George Washington University, USA in 2004 and taken part at the International Summit on Aviation Safety and Security conducted by the same University in 2006.

Having been selected in 2014, Mr. Nimalsiri serves as the current Chairman of the Regional Aviation Safety Group of the States in the Asia and Pacific Region (RASG-APAC). He has also been elected as the Second Chairman of the Asia Pacific Air Navigation Planning & Implementation Group (APANPIRG) of the Asia and Pacific Region which is steered under ICAO, for planning and implementation of air navigation matters in the Asia Pacific Region. Mr. Nimalsiri also served as the Vice Chairman of the 2nd High Level Global Safety Conference held in Montreal in 2015 and attended number of international and regional meetings/conferences representing the Government of Sri Lanka



Eng. Karunasena Hettiarachchi
(Secretary, Ministry of Defence)
Member Ex-Officio

Mr. Hettiarachchi holds a Bachelor of Science Honors (Engineering) from Sri Lanka, 1977 and a Master of Science (Engineering) from Belgium, 1986. Currently he serves as the Secretary in Ministry of Defence. He has started his career as a Civil Engineer at Ministry of Housing and Construction in 1977. From there he has worked at several local and international bodies in the capacity Civil Engineer, Chairman and Director. Some of these organisations include Central Engineering Consultancy Bureau, Department of Irrigation, Katholike Universitate of Leuven Institution, Belgium, International Irrigation Management Institute, Nippon Koei Consultants Ltd, Ministry of Housing and Urban Development, Ministry of Mineral Resources, Ministry of Labour Relations and Foreign Employment, Japan Bank for International Cooperation, Central Environmental Authority, Sri Lanka Land Reclamation and Development Corporation, National Water Supply and Drainage Board, Sierra Engineering & Construction (Pvt.) Ltd and Ministry of Urban Development, Water Supply & Drainage.

Furthermore he holds memberships in professional bodies and societies such as F.I.E (Sri Lanka), Chartered Engineer in UK, MIEP and FIM.



Mrs. D.M. Anula Harasgama
(Representative of the Ministry of Finance)
Member Ex-Officio

Mrs. Anula Harasgama is the Director General of Treasury Operations General Treasury, Ministry of Finance and Planning.

She has served in the capacity of Director General in various departments in the General Treasury such as Department of Information and Technology Management (2014) and Department of Public Enterprises (2012-2013) and Department of State Accounts,

Furthermore, she has also held positions as Additional Director General - Department of Public Finance (2011-2012), Director - Department of Public Finance, Finance Analyst in the UNDP Asia Pacific Regional Centre in Colombo, Director - Finance and Administration at the Public Enterprises Reform Commission of Sri Lanka and also served in the capacity of the Chief Accountant/ Accountant in various government ministries and foreign funded projects.

She holds a Master of Commerce majoring in Finance from the University of New South Wales (UNSW), Australia and Postgraduate Diploma in Management from the Postgraduate Institute of Management (PIM) and a Bachelor of Arts Degree from University of Sri Jayawardenapura.

She is also a member of the Australian Institute of Banking and Finance and the institute of Public Finance & Development Accountancy in Sri Lanka.



Dr. Aminda Methsila Perera - Member

Dr. Aminda Methsila Perera is a Senior Lecturer in Financial Management of the Department of Accountancy, Wayamba University of Sri Lanka. He had his early education at St. Thomas' College, Matale and he pursued higher studies at Faculty of Management Studies and Commerce, University of Sri Jayawardenepura and has obtained a B.Sc. (Special) Degree in Public Administration.

Dr. Perera has obtained his first Masters degrees in Business Administration in the field of International Financial Management from IGNOU India, and the second Masters degrees in Business Administration in the field of Marketing from the Wayamba University of Sri Lanka. He has obtained his first PhD degree in Consumer Behavior in the same University and the second PhD degree in Business Administration from the Keisei University of Korea. He has also followed a Diploma Programme in NGO Staff management conducted by the Kasnoff Academy, Germany in 1998.

During his career progression, Dr. Perera has served a number of private and state organizations in different capacities. Currently he serves as a Director of Peoples' Bank, National Library and Documentation Board, and Pride of Ceylon (Pvt.) Limited. Dr. Perera was appointed to the Board of Directors of CAASL with effect from 16th October 2015.



Eng. Sudharma Elakanda - Member

Eng. Sudharma Elakanda is presently working as the Project Director of Climate Resilience Improvement Project under the Ministry of Irrigation & Water Resources Management funded by IDA/World Bank. Prior to this appointment, he was the Project Director for Dam Safety & Water Resources Planning Project which is also funded by the IDA/World Bank and continuously received satisfactory rating from the World Bank and was considered as one of the best projects successfully completed in Sri Lanka recently.

He has attended most of the key international Water Sector Programs and presented technical papers in number of international workshops and seminars. He joined Mahaweli Authority of Sri Lanka in 1979 and having more than 35 years' experience in various Capacities of Mahaweli Development Program which is still considered as the largest single multipurpose development program ever undertaken in Sri Lanka. In the year 2014, he was appointed as the Additional Director General of Mahaweli Authority of Sri Lanka, which is the highest level any permanent employee could be reached within the Mahaweli Authority.

Eng. Elakanda has obtained Master of Business Administration (MBA) Degree from the University of Colombo and two Post Graduate Diplomas on Construction Management and Environment Management from the University of Moratuwa. Eng. Elakanda is a Corporate Member of the Institution of Civil Engineers, London since

1982 and Fellow Member of the Institution of Engineers, Sri Lanka. His basic degree is BSc (Civil Engineering) and is a product of University of Peradeniya, Sri Lanka.



Prof. W.L.P Perera - Member

Prof. Prasanna Perera holds a BA (Honours – First Class) in Economics from the University of Peradeniya, as well as a MA and a PhD in Economics. He has nearly 20 Years of Teaching Experience in the University of Peradeniya and currently serves as a Professor in Economics. His research areas include international finance, monetary economics, political economy macroeconomics and forecasting. He has extensively published research articles and books on international finance, trade and related issues which provide fresh insights using E-views, Minitab and R-studio packages.

Prof. Prasanna Perera is an eminent economist who has received numerous awards including the Common Wealth Doctoral

Scholarship, Kodikara Award, Gate Mudliyar A.G.Tillekaratne Research Fellowship and Imai Memorial Scholarship. He is a member of the Board of Study for Economics at the National Institute for Education. He has recently published a wide range of topics; Tea Smallholders in Sri Lanka, Issues and Challenges in Remote Areas, Political Economy of Post war Sri Lanka, Forecasting Foreign Direct Investment (FDI) in Sri Lanka, Modeling and Forecasting Foreign Direct Investment for SAARC Countries, Tourism Economics in Sri Lanka: An Econometric Analysis and An Analysis on Foreign Direct Investment, External Trade and Economic Growth in Sri Lanka in “indexed journals”

He has published widely on International Economics; the books published by him are Overview of Sri Lanka’s Trade Initiatives; Theory and Practice, Background to South Asian Countries, Challenges and Opportunities in the Economy of Sri Lanka and South Asia in the Regional Economic Co-operation.

Presently Prof. Prasanna holds the position of Vice Chairman at the Sri Lanka Ports Authority. He also serves on the Boards of other Associate Companies of SLPA and Civil Aviation Authority. He has been the Vice Chairman and the Executive Director of the Civil Aviation Authority prior to assuming duties as the Vice Chairman of SLPA in October 2015.

CIVIL AVIATION AUTHORITY OF SRI LANKA

Vision

To be an adept and credible aviation safety regulator assuring safe skies for all.

Mission

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

Motto

‘Safe and Efficient Skies for All’

Stance

The airspace above us is a public asset with vast potential for socio-economic development that needs to be managed for the progress and prosperity of the country and posterity of the nation.

Goals

- To achieve or exceed safety and security outcome targets;
- To be appropriately resourced;
- To be professional and competent;
- To attain wide credibility and recognition;
- To sustain or enhance its achievements;
- To achieve the highest level of productivity in all activities under taken;
- To maintain a high degree of

- compliance with 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 Practices;
- 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 and consistent 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 top priority and importance to aviation safety and promote a 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, realistic and consistent;

- be willing and able to change in pursuit of continuous improvement;
- work together to achieve success;
- be open, honest and transparent;
- promote efficiency, productivity and regularity in all activities;
- trust and respect colleagues and 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;
- To prevent general aviation accidents;
- To prevent fatal aviation related accidents on ground at airports;
- To reduce accidents in engineering/maintenance workshops;
- To minimize aviation occurrences
- To support minimizing delays in on-time departures;
- To enable affordable air travel to people with average income;
- To encourage improving quality of service in air travel;
- To facilitate minimizing congestion and expedite passenger processing at airports, whilst being mindful of security requirements;
- To help minimizing operational cost in air transportation and eliminate waste;
- To help minimizing adverse effects of aviation on the environment;
- To educate school children on the potential benefits of civil aviation and
- To groom the next generation of Aviation Professionals.

Expected Outcome

- Fulfillment of the State's international obligations in the field of civil aviation and constant implementation and enforcement of International Standards and Recommended Practices registering a 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 of Significant Safety Concerns being raised by ICAO against the State's aviation system;
- Enhanced Safety, security, regularity and efficiency in civil aviation and consequential public confidence in the air transport system; and
- 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;
- Mitigating risks to public health posed by air transport;
- Mitigating the harmful effects caused by air transport on Environment.

OUTPUTS

Output Class

Output

Policy Advice

- Advise Government & other Organizations
- Legislative Reforms
- Development of Rules
- Development and Promulgation of Implementing Standards
- Development of Aviation Policy
- Development of Manuals of Procedure
- Master Planning of Aviation Infrastructure

Safety Assessment & Certification

- Risk Management
- Airport/Airfield Sector Safety
- Airlines Sector Safety
- General Aviation Sector Safety
- Personnel Licensing Safety
- Flying Training Safety
- Aircraft Maintenance Safety
- Aviation Services Sector Safety Risk Management

Safety Analysis, Information and Promotion

- Safety Investigation
- Safety Analysis
- Safety Information, Education and Promotion
- Aircraft Accident & Incident Investigations and Implementation of Safety Recommendations

Authorization

- Airline Schedule Approval
- Airfare Approval
- Travel Agent Certification
- Registration of Aircraft
- Authorization for Import of Aircraft Spare Parts
- Authorization of High Structure Constructions
- Authorization for GSA
- Designation of Local Carriers for International Operations

Security Assessment

- Civil Aviation Sector Security Risk Management

Enforcement

- Responses to Regulatory Breaches
- Enforcement of Public Health and Hygienic Requirements

Assistance to the Government

- Collection of Embarkation Levy from Airlines

Regulatory Scope

By the end of 2016, the Regulatory Scope of the Civil Aviation stood as follows.

Regulated Area	2016	2015	Change (%)
Airports			
Domestic Land Airports	14	14	00
Domestic Water Aerodromes	16	15	07
International Airports (With RMA)	03	03	00
Airlines			
Local Airlines Engaged in Domestic Air Services	08	08	00
Local Airlines Engaged in International Air Services	03	03	00
International Foreign Airlines	33	27	22
Training Organizations			
Flying Schools	08	09	-11
Engineering/Maintenance Schools	06	05	20
Civil Aviation Training Centres	01	01	00
Aeronautical Services Providers			
Air Traffic Services	01	01	00
Aeronautical Ground Aids	01	01	00
Aeronautical Telecommunication Services	01	01	00
Aviation Security Services	01	01	00
Ground Handling Services	01	01	00
Catering Services	01	01	00
Aircraft Refueling & Lubricant Supply	01	01	00
Registration and Airworthiness of Aircraft			
H (Heavy) aircraft types of 136 000 kg (300 000 lb) or more;	14	16	-13
M (Medium) aircraft types less than 136 000 kg (300 000 lb) and more than 7 000 kg (15 500 lb); and	12	22	-45
L (Light) aircraft types of 7 000 kg (15 500 lb) or less	49	39	26
Synthetic Training Devices Flying Training Devices			
Local Full Flight Simulators - A320	03	03	00
Foreign Based Full Flight Simulators	03	03	00
ATC Simulator	01	01	00
Personnel Licensing			
Student Pilot Licence Holders	247	154	60
Private Pilot Licence Holders	148	120	23
Commercial Pilot Licence Holders	381	292	30
Air Transport Pilot Licence Holders	394	352	12
Air Traffic Control Licence Holders	89	81	10
Aircraft Maintenance Engineer Licence Holders	03	03	00

Aircraft Maintenance Licence Holders	483	472	02
Flight Dispatcher Licence Holders	204	199	03
Aeronautical Station Operator Licence Holders	04	04	00
Cabin Crew Member Certificate Holders	1452	1240	17
Flying Instructors	19	15	27
Assistant Flying Instructors	18	14	29
Ground Instructors	18	16	13
Flight Examiners	07	07	00
Designated Check Pilots	39	41	-05
Designated Aeronautical Medical Examiners	05	05	00
Certified Aviation Security Screeners	703	626	12
Certified Aviation Security Instructors	14	14	00
Air Transport Service Providers			
Global Distribution Service Providers	04	04	00
Air Transport Service Provider Licence - Group A	538	533	01
Air Transport Service Provider Licence - Group B	92	56	64
General Sales Agents	19	18	06
High Rise Constructions			
Telecommunication Towers/High Rise Buildings	6619	6204	07
Flight Permits			
Flying Over Sri Lanka Airspace	1007	921	09
Landing in Sri Lanka	1022	891	15



“Safe and Efficient Skies for All”

**GOVERNANCE AND ACCOUNTABILITY
OF CIVIL AVIATION
AUTHORITY OF SRI LANKA**

Role of the Authority

The major role of the Authority includes, but is not limited, to the following;

Communicating with the Hon Minister in charge of the subject of civil aviation and other government stakeholders to ensure their views are reflected in the planning of the country's civil aviation sector;

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 to the Director - General of Civil Aviation who is also the Chief Executive Officer, CAASL - ex officio;

Employing qualified and skilled personnel and determine their terms and conditions of service including remuneration to be able to perform CAASL's functions and duties;

Being accountable to the Hon Minister in charge of the subject of civil aviation on plans and progress towards the implementation of the CAASL Corporate Plan;

Board of Directors

Board of Directors of the Authority comprises of members who have diverse skills and experience in business, financial, legal and aviation industry to bring a wide range of thoughts and views on policy issues relating to civil aviation.

Once appointed, all members are expected to act in the best interest of the Civil Aviation Authority and must acknowledge that the Authority must stand unified behind all of its decisions and that individual members have no separate governing role outside the Authority.

The Authority directs the Chief Executive Officer by delegating powers and functions

for achievement of CAASL's objectives through setting policies and procedures. The forward plans of the Authority are included in its triennium Corporate Plan and are effectively monitored through the Annual Work Programme, Training Programme, Procurement Programme, Programme Budget and Audit Programme which are approved by the Authority at the beginning of every year. The Authority also gives directions to the Chief Executive Officer through Board Resolutions in regard to all matters for which no specific provisions currently available and it is the duty of the Chief Executive Officer to give effect to such resolutions.

Executive Powers of the Authority

In terms of the Civil Aviation Authority of Sri Lanka Act. No 34 of 2002, the Cabinet of Ministers appoints 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 Ministries, 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 applicable written law and be charged with the general administration of the functions of the Authority. The Authority acknowledges that Director General of Civil Aviation will act independently in regard to the statutory functions that are assigned to him by statute. However, in the discharge of such duties and functions, he may use the CAASL's resources within the approved procedures and guidelines by the Authority.

Authority Committees

The Authority has set up three (03) standing committee, viz. Staff Committee, Finance Committee, Audit Committee to focus more attention on specific issues and design and implement 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 the set targets and goals. Notwithstanding the delegation of powers and functions to any of the following Committee, the Board may continue to exercise its 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 thereof as and when necessary;
- Determination of salaries and cadre;
- Employees' matters pertaining to selection, recruitment, appointment, promotion, demotion, retirement/ termination etc.;
- Development or revision of Scheme of Recruitment as and when required;
- Development of Staff Rules and Administrative Procedures for CAASL;
- Development of Office Procedures for CAASL;
- Disciplinary actions on employees;
- Development of Disciplinary Procedures for CAASL Employees ;
- Revising or Updating the CAA Corporate Plan as and when required;
- Monitoring the Annual Work Programme and Training Policies, Procedures and Programme of the CAASL;
- Grant of approval for employees overseas training and Grant of scholarships for CAASL Employees;
- 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 employees,
- Development of social and welfare schemes for CAASL employees.

The Staff Committee comprised of the following Members of the CAASL

1. Mr. Ananda Wimalasena (Chairman)
2. Mr. Kushan D' Alwis(Member)
3. Mr. H.M.C Nimalsiri (Member)

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 million;
- Granting approval for write off of any item;
- Thrift Management in CAASL.

The Finance Committee comprised of the following members of the CAASL

1. Mr. Ananda Wimalasena (Chairman)
2. Mr. H M C Nimalsiri (Member)
3. Dr. Aminda Methsila Perera (Member)

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;
- Report on all audit matters to the Authority as and when requested to do so by the Authority.

The Audit Committee comprised of the following members.

1. Mrs. Anula Harasgama (Chairperson)
2. Eng. Sudharma Elakanda (Member)
3. Dr. Aminda Methsila Perera (Member)

Civil Aviation Development and Education Committee (CADEC)

The Civil Aviation Development and Education Committee 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). It may contain members appointed from within employees of the CAASL, as and when nominated by the DGCA and approved by the Board.

Relations with Stakeholders

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

Responsibility of the Authority and Senior Management

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

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

further provides directions on matters where specific provisions do not exist in its current policies, procedures or protocols. The Senior Management headed by the Chief Executive is charged with the implementation of these high-level policies and strategies. The Authority stand apart and does not have responsibility for the discharge of specific regulatory obligations cast specifically on the Director-General of Civil Aviation in terms of the Civil Aviation Act No.14 of 2010, the Air Navigation Regulations made thereunder or any other written law.

However, the Authority will provide all necessary resources and assistance which includes but not limited to personnel, equipment, facilities and services that are required by the Director General of Civil Aviation to discharge the regulatory obligations and functions cast on him and that of the State.

The Authority clearly demonstrates those 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 it's 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, conducted, accounted for and monitored in accordance with the Authority's policies, strategic directions, and expectations as set out its Corporate Plan.

Conflict of Interest

The Authority maintains an Interest 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 the Members of the Board and all employees of the CAA.

Internal Audit

While many of the Authority's functions and duties have been delegated, the overall final responsibility for maintaining effective systems of organizational control and supervision 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 Section that is responsible for detailed scrutiny and monitoring systems of internal control in each of the CAASL sections. The Internal Audit Section is responsible for maintenance of the quality of overall duties, functions and services rendered by the CAASL and reliability of financial and other information reported directly to the chairman of the Authority 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 employees are 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 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 examines as to the effect of such circular contents on effective functioning and discharge of the legitimate powers, functions and duties of the Authority and decided the nature and scope of such applications.

The Corporate Affairs and Economic Regulation Division of the CAASL is responsible for maintaining an updated list of concordance in regard to the extent of application of the Government Circulars to the functioning of the CAASL.

Ethics

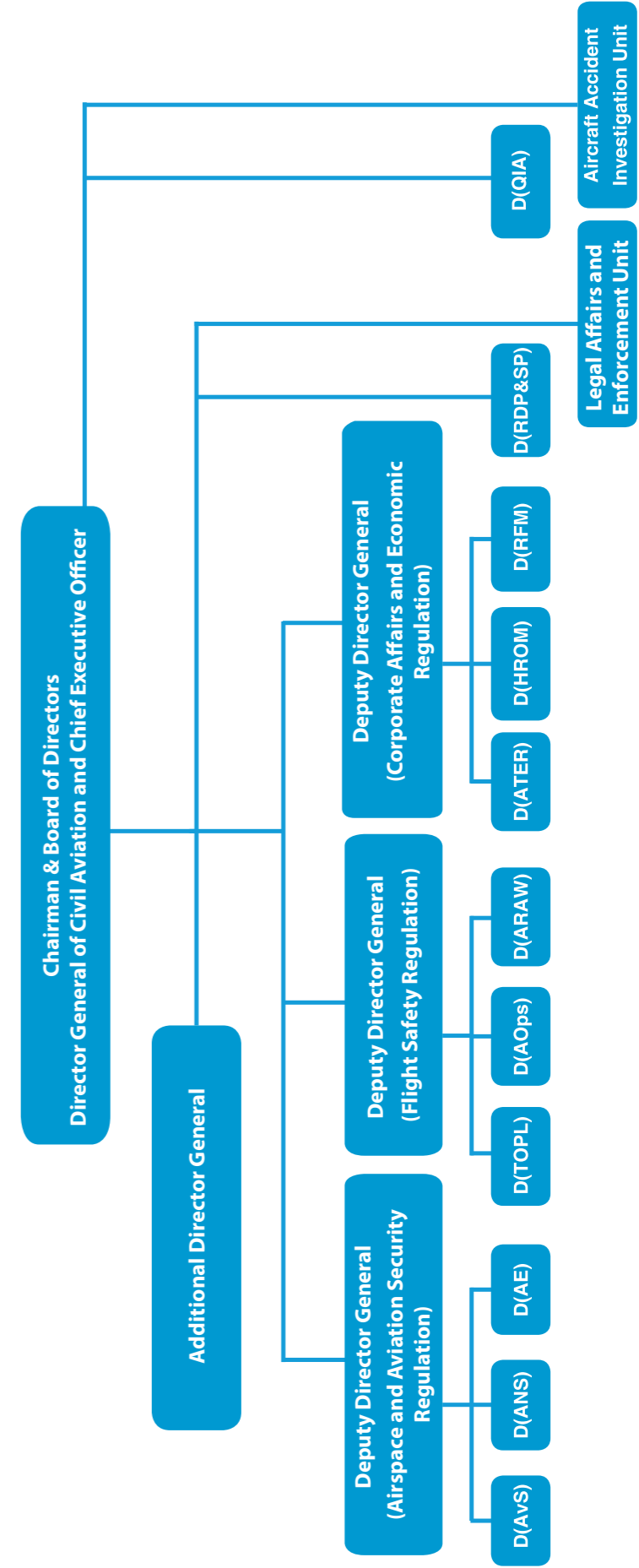
The Authority, having developed a Code of Ethics, regularly monitors where all members of the staff maintain high standards of ethical behavior and practice the principals of 'Good corporate governance'. Monitoring compliance with ethical standards is done through means such as monitoring trends in complaints and disciplinary actions, internal audit reports, or any reports or indications that show non-compliance 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 transparent, consistent, independent and responsible manner with the morals and accepted rights and responsibilities of all citizens of those communities.



CIVIL AVIATION AUTHORITY OF SRI LANKA

Senior Management Structure

The Department of Management approved the revised Organizational Structure of the CAASL on 22nd November 2013. Senior Management Structure of the CAASL is as shown below. The abbreviations are enumerated at the beginning of this Report.



DIRECTION AND MANAGEMENT

Authority and its Committees

Board Members

Honorable Minister of Transport & 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.

Mr. Ananda Wimalasena and Mr. Kushan D'Alwis, were appointed as the Chairman & Vice Chairman respectively.

CAASL Meetings

The Civil Aviation Authority of Sri Lanka held fourteen (14) Authority meetings during the period under review & passed resolutions for the progress and wellbeing of both the CAASL and the civil aviation industry that it regulates. The Staff Committee of the CAASL met one (01) times and Audit Committee of the CAASL met five (05) times during the period under review.

Aircraft Accident Investigation Unit

The main duties and function of the Aircraft Accident and Incident Investigation Unit is to keep the CAASL in readiness with necessary resources and procedures and thereby to facilitate the Authority for the conduct of investigations into aircraft Accidents and Serious Incidents occurring within the territory of Sri Lanka.

There were no aircraft accidents or serious incidents occurred in 2016 in the territory or involving SriLankan registered aircraft. It is the 10th consecutive year that Sri Lanka did not have an aircraft accident/serious incident.

In 2016, there were altogether 294 occurrences involving both Sri Lanka registered and foreign registered aircraft. Of this, 282 were on aircraft registered in Sri Lanka while the balance 12 involved in foreign registered aircraft occurring within the territory of Sri Lanka.

Of the occurrences, there were 80 Bird Strikes which accounted for the highest number of occurrences reported in one category. Amongst reported bird strikes 28 occurred at Bandaranaike International Airport, 6 were at Colombo Airport Ratmalana and 5 were reported at Mattala Rajapaksa International Airport. The rest have been bird strikes outside the country. There were 78 ATM/Communication related events and 58 System/Component failures or malfunctions reported. From the 78 ATM/Communication occurrences, 75 events were reported due to no contact with ATS units with the highest number was 'No Contact' within Mumbai FIR.

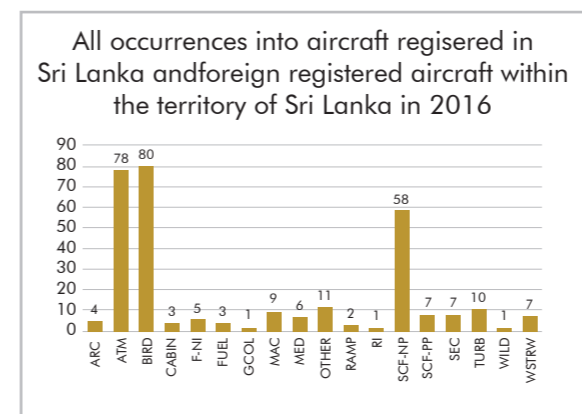
Investigations into two separate inflight incidents involving SriLankan Airlines A320-200 and Mihin Lanka A321 were completed. Final Reports were distributed to relevant organizations for necessary remedial actions.

Work was initiated to establish an Independent Aircraft Accident Investigation Bureau in compliance with applicable International Standards on aircraft accident investigation. Approval of the Cabinet of Ministers was received for the establishment of the Bureau and the 1st draft of the Aircraft Accident Investigation Bureau Act was received from the Legal Draftsperson for review.

A new Implementing Standard on Voluntary and Confidential Aviation Occurrence Reporting System (IS 052) was issued.

The Implementing Standard on Aviation Occurrence Reporting System (IS 006) was amended.

Work was initiated for the preparation of forthcoming ICAO- USOAP in 2017. In this connection, relevant State Aviation Audit Questionnaire and Compliance Checklist with regard to Accident Investigation (AIG) Audit area were updated. Self-Assessment of Protocol Questions relating to AIG audit area was in progress.



ABC	Abnormal Runway Contact
ATM/CNS	Air traffic management (ATM) or communications, navigation, or surveillance
BIRD	Bird strikes
CABIN	Cabin safety events
F-NI	Fire/smoke (non-impact)
FUEL	Fuel related
GCOL	Ground Collision
MAC	Airprox/ ACAS alert/ loss of separation/ (near) midair collisions
MED	Medical
OTHER	Other
RAMP	Ground handling
RI	Runway incursion - vehicle, aircraft or person
SCF-NP	System/component failure or malfunction (non- power plant)
SCF-PP	Power plant failure or malfunction
SEC	Security related
TURB	Turbulence encounter
WILD	Collision Wildlife
WSTRV	Windshear or thunderstorm

Quality and Internal Audit Section

The main objective of the Quality and Internal Audit Section is to enhance the quality management of the CAA and to ensure application of effective checks and balances and existence of necessary controls and supervision. The internal audit process provides an assurance on the organization's risk management, internal control environment and governance framework through review and appraisal of the extent of compliance with relevant statutory requirements.

The Quality and Internal Audit Section took necessary steps to ensure the integrity of the CAASL's accounting and financial reporting system and effectiveness of the internal control systems by reviewing and monitoring of such systems on a periodic basis.

During the year 2016, 40 no's of audits were carried out including 10 technical audits and 12 financial audits.

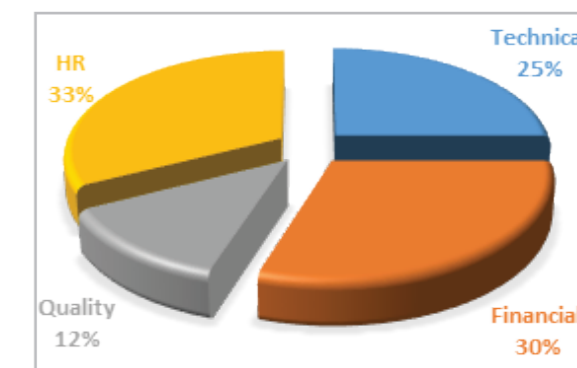


Table 1: Number of Audits Carried Out – 2016

Research, Development Planning & Special Programmes Section

Research, Development Planning & Special Programmes Section of CAASL which functions under the Direction and Management is responsible mainly for the conduct of research in the field of civil aviation for its continued growth and expansion and to formulate development plans for identified areas and also to

undertake any special programmes that CAASL is required to embark on. It is a new section that was introduced to the CAASL consequent to the organizational reforms introduced in 2013. Appropriately qualified and experienced person was appointed to the post of the Director, Research, Development Planning and Special Programmes Section in the year under review. The major tasks performed by the Section during 2016 are as follows.

Construction of Head Office Building for CAASL

The construction of Head office of CAASL at Katunayake contracted to the State Engineering Corporation (SEC) continued and at the end of the year, the physical progress stood as 37%. As per the contract with the SEC, the building is expected to complete by middle of the year 2017.

53rd DGCA Conference Arrangements

53rd Conference of the Directors General of Civil Aviation (DGCA) in the Asia Pacific Region was successfully conducted in Sri Lanka from 01-05 August, 2016. The Conference was inaugurated by His Excellency the President together with the Hon. Prime Minister and with the participation of Minister of Transport and Civil Aviation and several other Ministers. DGCA Conference is the pinnacle annual event conducted every year under the auspices of ICAO in the Asia Pacific Region. States get an opportunity to host it after waiting for long period in the waiting list. ICAO conducts an assessment of the capacity of the State to host it prior to granting such opportunity.

It was an honor for Sri Lanka to host it after 26 years since the 1st meeting held in 1990. States use the opportunity to showcase their local aviation profile before the global community, which is essential for aviation development. For the first time in the 71 year history of the International Civil Aviation Organization, the President of the Council of ICAO and its Secretary General visited Sri Lanka to attend the Conference and consequently Sri Lanka got a wider multiplied publicity worldwide through the ICAO media campaign. Participation of His Excellency

the President, Hon. Prime Minister and Hon. Minister of Transport and Civil Aviation at the inaugural meeting gave an immense moral boost and created amongst high ranking ICAO officials and global aviation community the commitment of the State for development of aviation whilst paying highest priority to aviation safety.

There were a total of 236 delegates representing 34 States and 10 International Organizations attended the Conference. Total number of foreign visitors for the conference was 306 (RASG/6 meeting- 187, RASCF/4 meeting - 78, DGCA Conference 230 plus Accompanying Persons - 50) Foreign Exchange came in to the country in the form of guest nights (foreign participants paid for their accommodation and not the CAASL), sponsorships and local expenses for purchase of valued items is estimated to be approximately Rs. 32.12 million. There may be other incomes which are not known to the CAASL. This foreign exchange would never have come to the country if the Conference was not held in Sri Lanka.

The Conference gave an excellent opportunity to promote civil aviation and tourism. The long term benefits for tourism is quite large and innumerable and it helped elevate Sri Lanka's position in the Global aviation map. Conference also offered wide exposure for the local participants to interact with prominent global and regional aviation personalities, whilst saving a huge sum of money that would otherwise have been paid to an event organizer.

The Conference made a big impression to the participants about the Next Generation Aviation Professionals (NGAP) programme of Sri Lanka. ICAO was so pleased of the organization of the activity that Secretary General agreed to offer free of charge a stall at ICAO Headquarters during the 39th ICAO Assembly to display what Sri Lanka has accomplished for promotion of aviation amongst school children.

Civil Aviation Awareness Programme

The CAASL has also embarked on a project to develop Next Generation Aviation Professionals (NGAP) for future man power

needs in aviation. As a move forward, the CAASL established a Civil Aviation Development and Education Committee (CADEC) which functions under the Special Programmes Section to develop awareness of school children in aviation.

CADEC conducts Aviation Awareness Programmes in schools, encourages formulation of Aeronautical Clubs in schools and publishes a quarterly aviation education magazine titled 'Guwansara' with the view to enhance the knowledge of school children in the field of aviation.

During the year 2016, two school programmes were conducted and supported formulation of a total of 584 Aeronautical Clubs by the end of 2016. Three Guwansara magazines were issued and distributed amongst 3100 schools on complimentary basis.

Logistics Arrangements for the Workshops/ Meetings

The section contributed in arranging the logistics required for following meeting/trainings during the year 2016.

➤ 18th South Asia Regional Aviation Safety Team Meeting

SARAST meeting conducted from 17-18 February 2016 in Sri Lanka with the help of expert from COSCAP-SA. There were also foreign participants from Five States Bangladesh, Bhutan, Nepal, Pakistan and Maldives. The purpose of this meeting was to provide a status report on implementation of APRAST Safety Tools by each Member States and determine the status report if any Member State requires support and Member States to provide an update/status report on their National Safety issues as deemed necessary.

➤ Second Meeting of Water Aerodromes Small Working Group.

CAASL organized second meeting of WASWG from 29th February to 02nd March 2016 at Galadari, Colombo. The purpose of this meeting to prepare Standards and Recommended Practices for Water Aerodromes

in APAC region. There were 26 participants comprising Indonesia, Maldives, United States, ICAO Regional Office and Sri Lanka.

➤ Safety Management System – Phase 1 (SMS)

As per the ICAO requirements, States are required to implement a Safety Management System (SMS). Almost all the technical staff in the CAASL were trained in SMS at this training Programme. This training Programme organized from 23-26 February 2016 at CAASL.

Publications/ Reports

Development of Corporate Plan and preparation of Annual Reports of the Civil Aviation Authority publishing and presenting to the parliament, distributing related government entities and other industry clientele by the Section.

The Annual Report-2015 was compiled, in accordance with the Civil Aviation Authority of Sri Lanka Act No 34 of 2002 in order for the Hon. Minister to present it before the Parliament.

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

Civil Aviation Statistical Programme

Section continued collecting statistics on CAASL performance data every month in order to evaluate the future needs of the CAASL and facilitate the reports compiled and fulfil request of line Ministry and outside organizations.

Conduct CAASL Media handling & Promotion

RDP&SP Section steps to enrich the part of Media Handling & Aviation Promotion with organizing necessary educational and awareness creating activities of media handling & aviation promotion. 26 publications for the newspapers, press conferences, TV Programmes were completed during the year 2016.

AIRSPACE AND AVIATION SECURITY REGULATION DIVISION

Aviation Security Section

The primary function of the Aviation Security Section is to regulate civil aviation security in Sri Lanka with the prime objective of mitigating the unlawful inferences with civil aviation by development of rules and procedures in accordance with international standards and recommend practices and undertaking initial certification and continuous surveillance of the organizations and personnel involved in the provision of aviation security.

In the year 2016 Aviation Security Section got involved in every aspect of regulatory functions in the field of Aviation Security in Sri Lanka. The Quality Control & certification activities were carried out by the inspectorate of the section in accordance with the approved Activity Schedules of Aviation Security Surveillance and Avsec Personnel Certification 2016.

Certification and recertification of following categories & numbers of Avsec personnel of Airport / Aircraft operators were continued. The details are as follows.

- ➔ Recertification of Avsec Managers - 07
- ➔ Recertification of Avsec Instructors - 07
- ➔ Certification of Avsec Screeners - 62
- ➔ Re certification of Avsec Screeners - 357

The undermentioned vital tasks were carried out by the section in addition to the quality control and certification functions mentioned above.

Certification of Aviation Security Service Provider at BIA

Certification process of service provider organizations for aviation security was continued throughout the year 2016.

Continuation of National Civil Aviation Security Committee

National Civil Aviation Security Committee meetings (NCASC) were continued in view of coordinating security activities between the departments, agencies and other organizations, airport & aircraft operators responsible for the implementation of various aspects of NCASP. Two meetings were held under the chairmanship of secretary NCASC at MOD in March & December 2016. Three programmes on aviation security were conducted for the senior officers of tri services & police and MOD on the instruction of Chairman NCASC.

Development of Regulations

The Avsec Section completed reviewing of the final draft of Aviation Security Regulations. Development of National Aviation Security Contingency Plan

The draft document of National Aviation Security Contingency Plan (NASCP) was finalized and disseminated among the members of NCAC committee on the instruction of NCASC.

Evaluation of Security Programmes

Twenty (20) numbers of Foreign Aircraft Operator Security Programmes and two (02) Local Airlines Security Training Programmes were evaluated in accordance with the National Civil Aviation Security Programme by the respective operators and necessary approvals were granted.

Approval for carriage of munitions

Approval for the carriage of munitions within the airspace of Sri Lanka and to / from airports within Sri Lanka is vested with the Director General Civil Aviation and accordingly 164 approvals were granted

for carriage of munitions in the cargo hold and 32 approvals for carriage on board concerning WVIP/VIP International travel during year 2016.

Participation of ICAO Missions

Director Aviation Security; Mr. PA Jayakantha participated on ICAO USAP Audit in UAE as an ICAO audit team member on the invitation of ICAO.

MRIA Inspection for recertification of aerodrome

A comprehensive inspection was conducted at MRJA to determine whether the aviation security measures of controls are fully implemented as per the requirements stipulated in NCASP. This was done as a part of the of aerodrome recertification inspection.

TSA Follow up visit

A team of Transportation Security Administration (TSA) conducted a follow up inspection at BIA to monitor the corrective action plan proposed at the comprehensive inspection done in 2015 on implementation of aviation security measures of controls to provide upstream facility airlines which are carrying cargo to US bound airports on the request of Cathay Pacific airlines.

Aviation Security Meetings/Seminars/ Workshops

Personnel attached to Av Section were afforded with opportunities to attend training, seminars and meeting held overseas to broaden their knowledge and exposure in the subject matter.

Aerodromes Section

The main objective of the Aerodrome Section is to develop rules and procedures relating to maintenance of domestic and international aerodromes in line with the applicable international standards and recommended practices and to undertake initial certification and continuous surveillance of the airports used for transport of civil passengers. It is also responsible for the implementation of international standards relating to facilitation at airports.

Water Aerodrome Regulations

CAASL hosted the ICAO Water Aerodrome Working Group Meeting where deliberations were made in formulating procedures and standards for certification of water Aerodromes. Draft Water Aerodrome certification regulations for Sri Lanka is complete for enactment by the Hon. Minister for Transport and Civil Aviation.

Regulatory Role in BIA Development Work

The Aerodromes section was responsible for providing technical guidance and approval for BIA Runway Safety, Phase 2 Stage II Apron layout at BIA, BIA Runway Resurfacing Safety procedure and Runway layout plan at RMA. Aerodrome Audit for renewal of BIA Aerodrome Certificate was carried out and aerodrome certification for BIA was renewed till March 2018.

Runway resurfacing process plans monitored, stake holder meetings held and policy and procedures were drafted by the AE Division.

Provided the MEGAPOLIS authority necessary inputs for the BIA second runway construction and the conceptual plan of the Aerotropolis.

MRJA aerodrome Certificate was extended till 23rd January 2017

The process to certify Ratmalana airport commenced in November 2016.

Temporary Approval to operate 11 water aerodrome was granted to Saffronair. The Approval for operating the Water aerodrome at Diyawanna Oya was granted to Saffron Air.

Technical vice provided for IWS and Military hospital in establishing helicopter landing sites.

Development of Domestic Airports

Palali Airport Development

Meetings were held with the officials of Indian High Commission and Airports Authority of India (AAI) for the development of Palali airport for international operations,

following the bilateral agreements that had been reached between India and Sri Lanka for development of Palaly airport, under the assistance by the Indian Government. After a site inspection, the Airports Authority of India agreed to submit a Master Plan together with a plan for phased development of Palaly airport with a cost estimate and their report was pending at the close of the year.

Airport at Puttlam

Consequent to the Budget Proposals of 2016 and at the instruction of the Hon. Minister, CAASL prepared a pre-feasibility study report on the development of the airport at Palaviya for operation of medium size (60 seater aircraft) aircraft. Further work on the project was dropped after the Cabinet Committee on Economic Development decided not to construct an airport at Puttalam as there is an airport at Katunayake

Airport for Badulla District

Consequent to the Budget Proposals of 2016 and at the instruction of the Hon. Minister, a survey was carried out for identification of a site suitable for development of a domestic airport in Badulla district. Pre-feasibility study was done and a land at Mahaulpotta watte, Bandarawela was identified for construction of an aerodrome which is capable of handling medium size aircraft. Coordination with relevant Govt. Organizations to obtain necessary approvals for the development of airport were carried out. The Social feasibility study was complete. EIA by the central Environmental Authority is pending in order to continue with the development work.

Batticaloa Airport

Consequent to a decision by the Cabinet of Minister, the Hon. Minister published an Order in the Government gazette in terms of provisions in the Civil Aviation Authority of Sri Lanka Act No. 34 of 2002, vesting the ownership of Batticaloa airport in the Civil Aviation Authority of Sri Lanka. The Minister also appointed the Statutory Service Provider, as the Service Provider for the airport. Steps were accordingly taken to take over the Batticaloa airport and transfer the required land to Airports and Aviation Services (Sri Lanka) Ltd. for operation of the airport as a civil airport.

Water Aerodromes

There were a total of 11 certified water aerodromes located within Sri Lanka by the close of 2016. Major challenge faced by the certified water aerodrome is to continue maintaining Obstacle Limiting Surfaces around the airport, due to absence of Zoning Regulations that controls constructions within the vicinity.

Participation at International Events

Section was represented at the PANS Aerodrome Manual implementation workshop in Bangkok. The officials of the AE section participated in Ramp Operations - and Safety Oversight Inspectors Course conducted by - Singapore Aviation Academy.

Air Navigation Section

The primary responsibility of the Air Navigation Section is to formulate rules and procedures involving airspace design, organization and operation in accordance with the applicable international standards and recommended practices adopted by ICAO and to undertake initial certification and continued surveillance of air navigation service providers.

Surveillance Activities

Completed all inspections scheduled for ATS Centres at BIA, RMA and MRJA and AIS Centres at BIA and RMA as per the 'ANS Surveillance Plan 2016' approved by the DGCA as follows:
ATS units - 30 & AIS Units - 16

ATC Rating Assessments

ANS section conducted 48 assessments for the issuance ATC Ratings for Air Traffic Controllers:

Language Proficiency & Radio Telephony Procedure Tests

ANS Section collaborated with PEL Section in conducting Language Proficiency tests & also represented the Examination Panel for R/T Examinations conducted on Pilots of private Flying Schools for CPLs and PPLs. Accordingly, 50 R/T tests and 24 ELPC Tests were conducted.

Investigations

The Section conducted investigations on the Mandatory Occurrence Reports (MORs) mainly on Communication Interruptions in Mumbai FIR received from Airlines and liaised with Indian counterparts for remedial actions to avoid recurrence.

Flight Permits / Landing Rights

Granting of approvals for non-scheduled Tech-stops/non-commercial landing flights & overflights were carried-out efficiently. Approvals for Aerial Work Operations were also granted subject to additional approvals from other associated agencies such as MOD, SLAF, Archeological Dept; etc; depending on the location of intended operation. Accordingly, ANS Section granted approvals for 976 non-scheduled over flights, 988 non-scheduled Landing flights, 77 no-objection notes to diplomatic over flights, 141 no-objection notes to diplomatic landing flights, 74 Aerial Photography flights. Furthermore, approvals were also granted for 131 Drone operations which has shown a rapid increase in popularity in the country.

ANS Training

Two (02) ICAO prescribed KOICA/SCPP sponsored Overseas Fellowships were undertaken whilst 21 other local Seminars/ Workshops were also attended by ANS Staff.

ICAO Meetings

The Officials attached to the Section represented the CAASL at the ICAO regional meetings on ANS officials ATM-Sub Group, ADS-B Implementation and AAITF on AIS to AIM Transition

AIP Amendments, AIP Supplements, Aeronautical Information Circulars (AICs) & NOTAMs

One AIP Amendment, seven AIP Supplements and four AICs related to ANS were issued while 407 NOTAMs on Operational ANS activities were scrutinized and granted approval for issuance.

Search and Rescue (SAR) Services within Colombo FIR

Further coordination was continued for the development of SAR in Sri Lanka including

the proposed formation of National SAR Organization in Sri Lanka through the assistance under the 3-year SAR Capability Partnership Programme (SCPP) with Australian Maritime Safety Authority (AMSA) which was launched last year and now in-progress. AMSA provided following assistance;

- 02 officers were given opportunities to familiarize in SAR arrangements in Australia.
- 05 officers were trained as SAR Mission Coordinators.
- 02 officers were trained as SAR administrators.
- SAR officer course conducted in SL for 15 officers.
- Table -Top SAR exercise conducted in SL.

PBN Implementation

The ANS section of CAASL guided the AASL for the successful completion of implementation of PBN Flight Procedures for BIA by 18th August 2016 having coordinated for the Ground Validation of designed PBN procedures through the assistance of FPP of ICAO and Flight Validation Services from Aerothai of Thailand. A thorough Safety Assessment was also steered as a pre-requisite for the PBN Implementation at BIA.

The introduction of PBN allows pilots, operators and air traffic control to make the best use of recent huge advances in navigation technology and brings increased safety, efficiency and environmental benefits, including:

- Reduced separation standards for all phases of flight. As the skies become busier, PBN allows the most efficient use of available airspace, through appropriately managed reductions in separation standards and track miles flown during the en-route, approach and landing phases.
- Reduced track miles/fuel burn/carbon dioxide emissions during landing approaches. PBN technology has the real potential to reduce unproductive flight time, unnecessary delays and fuel burn, providing obvious economic benefits to operators and the environment.

- PBN and GNSS allow straight-in approaches to be designed for most runways. International Civil Aviation Organization (ICAO) data shows that straight-in approaches are 25 times safer than circling approaches. Adding vertical guidance to the approach brings a further safety gain.
- Approaches with vertical guidance, where the aircraft has both lateral and vertical navigation capability, are a further eight times safer than approaches without vertical guidance, so are a significant safety enhancement. Currently the only approaches with vertical guidance available in Sri Lanka is ILS). It can be augmented with Baro-VNAV, where aircraft barometric altitude is used to control the aircraft to a defined vertical path. These approaches are limited to aircraft that have accurate barometric altimetry systems and to aerodromes that have barometric pressure measurement and broadcast systems.
- Lack of vertical guidance during instrument approach to land operations is a major contributing factor to accidents involving controlled flight into terrain (CFIT). Such accidents almost always result in 100 per cent fatalities.
- Reduced reliance on terrestrial radio-navigation aid infrastructure through widespread use of GNSS-enabled PBN will permit a widespread reduction of ground navigation aids. Approaches at the majority of the aerodromes in Sri Lanka that have radio-navigation aids are flown with lateral guidance only, using non-directional beacons (NDB) and VHF omni-range (VOR) radio-navigation aids. These navigation aids are 70-year-old technology, which is becoming increasingly expensive to install and maintain.
- Global harmonization—ICAO’s PBN navigation standards are being applied worldwide for use by any authorized operator from any ICAO state. This means that certifying both operators and aircraft will be much easier, and aircraft will be built to common global standards.
- Introduction of PBN flight Procedures to MRiA was also in progress guiding

AASL to complete the design, Ground Validation and flight validation of RNP Approaches for Rwy 23 and 05 at MRiA, pending implementation of same.

ADS-B Implementation in Sri Lanka

ANS Section provided appropriate Regularity Assistance/guidance to AASL for the implementation of ADS-B within the Sri Lankan airspace which is expected to be completed the end of April 2017.

Operators equipped with ADS-B Out will enjoy more efficient spacing and optimal routing in non-radar environments, including the busy airspace, mountainous regions and at low altitudes. Aircraft equipped with ADS-B out will enhance the Air Traffic Controller’s awareness of aircraft in the airspace. Radars used today can take anywhere from 5 to 12 seconds to update an aircraft’s position. ADS-B equipment provides air traffic control (ATC) with updated aircraft information almost every second. This enables controllers to identify and resolve potentially hazardous situations quickly and effectively. Because of the Sri Lanka’s requirements for ADS-B service, in many areas of Sri Lanka, coverage will soon be available at lower altitudes than current ATC radars.

Implementation of APANPIRG Decisions of ICAO

Established a mechanism between CAASL and AASL for timely implementation of applicable APANPIRG Decisions. ANS Section shouldered the responsibility of the functions of the SLANPIRG (Sri Lanka Air Navigation Planning & Implementation Review Group) formed in Y2015 which is spearheaded by the DGCA to ensure Sri Lanka’s compliance of APANPIRG Decisions. The effective implementation of APANPIRG decisions was also monitored during routine Inspections to ATS/AIS Operational Centre’s.

ANS Regulatory Aspects

Implemented ICAO State Letters & all other requirements related to ANS with regular coordination with ANS Division of AASL and other relevant stake-holders of the Aviation industry.

Finalized the 1st Revision of IS-053 on Drone Operations in Sri Lanka in collaboration with the Ministry of Defence and also incorporating the inputs gained from the Drone Regulations Workshop conducted by ICAO.

Civil Military coordination for Reduction of Military Restrictions in the Air Space over Sri Lanka (Flexible Use of Airspace – FUA)

Conducted series of meetings with SLAF and were able to reduce military restrictions on the use of airspace as follows:

- Several Military Restrictions imposed at RMA for Civil Aircraft Operations
- Reduction of the vertical and lateral dimensions of City Restricted and Prohibited Area
- Removal of Prohibited areas over Kolonnawa and Sapugaskanda Oil Refineries.
- Establishment of direct tracks for north bound domestic traffic through Colombo Restricted Area.

Assistance for ANS Dues recovery from Airlines

Assisted AASL the ANS Provider with special letters to our counterparts urging some Airline operators to settle long-overdue payments on Overflying/landing in Y2016 as well. As a result, a few Airlines settled their long-overdue overflying charges to AASL.

Service Agreements

Renewed the Service Agreement with Jeppesen to receive free Supply of Aeronautical Maps & Charts both Printed & Electronic Versions.

Improvements/Contribution in Corporate affairs & Office Management.

Through continuous reference and reviews, updated the existing Manuals/Checklists/ Guidance material, ANS Inspector Handbook & ANS Chapter of CAASL’s Office manual.

TEC Meetings

Participated in Project Committee (PC) on MRiA MKT Promotion and TEC on Procurement of Air Traffic Control (ATM) System for BIA.

FLIGHT SAFETY REGULATION DIVISION

Training Organization and Personnel Licensing Section

Training Organization and Personnel Licensing Section is responsible for the development of rules and procedures relating to certification and surveillance of training organizations and personnel engaged in safety sensitive activities relating to civil aviation in conformity with the applicable international standards and recommended practices.

Training Organization and Personnel Licensing Section of the Civil Aviation Authority has shown further developments in the year 2016, to cater to the needs of the aviation community making the clientele satisfied. Key areas intended for improvements are listed below.

Development of System for Computer Based Examinations

In order to include additional functions to improve the quality, Personnel Licensing Section undertook developing Computer Based Examination to be incorporated into the CAASL IT development plan and work was continued in 2016 as well.

Development of Conducting Radio Telephony (RT) Examinations for PPL & CPL Applicants

Personnel Licensing Section has initiated steps to improve the quality and productivity of conducting RT examinations for Aircrews. In this context, new examinations were designed and purchasing of equipment was included in CAASL IT development plan.

Certification of New Flying Schools.

Two Flying School licenses were issued to Fairways Aviation Academy and Fly Southern

Pvt Ltd to carry out flying training for PPL/CPL/IR. Approval granted for the commencement of ground school to Fits Air Flight Academy has been deferred on their request.

Surveillance on Flying Schools/Aviation Training Organizations/Designated Hospital

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

1. Fairways Aviation Academy	- 3
2. Sky Line Aviation (Pvt) Ltd	- 2
3. Millennium Flight Academy	- 1
4. Asian Aviation Centre	- 2
5. Openskies Flight Training (Pvt) Ltd	- 2
6. Fly Southern Pvt Ltd	- 1
7. International Aviation Academy (Flight Operations Officer Training)	- 1
8. Designated Hospitals	- 3

Participation in International Meetings/Workshop

Senior Civil Aviation Inspector Aviation Medicine(SCAIAM) attended 8th CAPSCA/AP meeting and 6th Global Coordination Meeting held in APAC office in Thailand as the chairman of the meeting and the focal point of Sri Lanka in November 2016.

Represented CAASL and as a resource personnel in the meeting on prevention of public health emergencies of international concerns at points of entries in Sri Lanka which was organized by Ministry of Health with collaboration of WHO. In that meeting the national emergency contingency plan for airports was launched and this document is co-authored by SCAI (AM) representing CAASL as one of the main stake holders of this programme.

Senior Civil Aviation Inspector from the Personnel Licensing Section attended SARI Part 66 8th meeting as a working group member held in the Civil Aviation Authority of Pakistan in Karachchi.

Senior Civil Aviation Inspector from the Personnel Licensing Section attended EASA Part FCL meeting conducted by SARI and organized by CAA Maldives.

New Licence and Ratings Issuances

Personnel Licensing Section has issued following licenses to aviation personals during the year under review.

1. Pilot licenses	253
2. Aircraft type ratings for pilots	85
3. Flight Instructor Ratings (FI&AFI)	08
4. Air Traffic Controllers Licences	08
5. Air Traffic Controller ratings	25
6. Aircraft Maintenance Licenes (AML)	11
7. AML categories/ Ratings	41
8. Flight Operation Officer licences	05
9. Cabin Crew Member Certificates	212
10. Ground Instructor approvals & licenes	51
11. Foreign Licence validation certificates for pilots	30
12. Foreign Licence validation certificates for AML	03

Medical Examination/Medical Board Meetings

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

1. Initial Medical Examination	- 131
2. Renewal of Medical Examination-	780

And the Aero Medical Centre has held 03 Medical Board Meetings throughout the year to resolve borderline cases of Medical certificates.

Renewal of Agreement with Designated Hospitals

The section has renewed agreements with designated hospitals of Asiri Surgical Hospital, Durdans Hospital, The Central Hospital and Hemas Hospital to conduct

medical investigations for Pilots and Air traffic Controllers. Hospital inspections were carried out prior to the renewal of the agreement to assess the services & standards of the hospital.

Technical Assistance Mission

Two Senior Civil Aviation Inspectors of Personnel Licensing Section conducted a Technical Assistance Program to Civil Aviation Authority of Cambodia, "State Secretariat of Civil Aviation", (SSCA) on residing in Cambodia for a span of two weeks.

Aircraft Operations Section

Flight Operations Section is primarily responsible for the development of local rules and procedures in conformity with the applicable international standards and recommended practices adopted by ICAO for the effective regulation of aircraft operators and undertake initial certification of applicants for operation of air services and conduct of continuous post certification surveillance of such operators. The section is also responsible for the regulation of carriage of dangerous goods by air.

Regulatory Development

As introduction of a new regulatory frame work was found required, pursuant to the Civil Aviation Act No. 14 of 2010 particularly Article 120 of the act, during the year 2016, CAASL introduced new regulatory tool designated as "Implementing Standards" (IS). As a result Aircraft Operations Section was able to publish following ISs as amendments to existing Aviation Safety Notices (ASN)s

- IS 18 – Flight Crew of aircraft engaged in Commercial Air Transport Operations
- IS 11 – Definitions
- IS 13 – Flight Operations
- IS 46 related to Ground Operations
- IS related to FRMS is ongoing
- Draft IS on Health Emergencies
- Draft IS on carriage of Lithium Batteries
- ISs related to Ground Operations 046 Completed.
- Amendment of IS 023 for Annex 6 Part 2 Amendment 32A, 32B,33
- Amendment of IS 018 for Annex 6 Part 1 Amendment 39 & 40

Further, pursuant to article 121 of the Act no. 14 of 2010, promulgation of another regulatory tool was identified designated as General & special Directions (GD) & (SD). Therefore as a result following General Directions (GD) were issued by Operations Section for 2016

- ➔ GD 04 on ALAR/CFIT on Going
- ➔ GD 03 on Flight Safety Document System
- ➔ GD 02 on Automation & energy state management completed
- ➔ GD 05 on Continuous descent final approach
- ➔ Draft FRMS in on-going

In addition the Section commenced the process of revising all applicable IS's to be on a par with Annex 6 Part I, 10th Edition, Revision No. 40C.

Performance Based Navigation Operational Approval

When a new procedure is introduced by ICAO & when it is adopted by a State then the State is required to introduce new procedures to be followed by the industry as well as the regulatory authority. For this purpose a procedure Manual designated as PBN Manual was developed & approved for the guidance of both the Industry as well as regulator Inspectorate for PBN operations. The Handbook provides guidance to personnel responsible for the assessment of applications for operational approval to conduct Performance Based Navigation Operations.

Guidance Material

Further the section has amended the Manual on Flight time & duty time limitation SLCAP 4210 which is the standards on limitation for Flight Time, Flight Duty Periods, Duty Periods and Rest Periods for Fatigue Management of certification of air operators.

The Operations Section is evaluating Fly Southern, Sakurai Aviation and Lakwin Aviation who has commenced the certification process are now at the Document Evaluation phase prior to certification in the process of obtaining the Air Operator Certificate

(AOC). The issue of an AOC will depend upon their commitment and demonstration of an adequate organization, method of control and supervision of flight operations, training programmes, ground handling and maintenance arrangements consistent with the nature and extent of the operation specified.

Subsequently the section was involved in an inspection process of renewing three international AOCs and five domestic AOCs. Additionally the operations section evaluated 18 applications for amending

- ➔ 22 Operations Specifications were issued to AOC holders and granted the approvals after comprehensive evaluation process
- ➔ 18 Special operations approvals
- ➔ 07 Simulator Renewals
- ➔ Inclusion of A330-300 (4R-ALN, ALO, ALP, ALQ, ALR) aircraft to SLA
- ➔ 01 Eurocopter to Daya Aviation

Moreover amendments to Flight Operations Manuals, Cabin Crewmember Safety & Emergency Procedures Manual and Ground Operations Manuals submitted by current AOC holders were evaluated for approval as an obligation to the Air Operator Certification.

Foreign Air Operator Surveillance

Foreign Air operator certification was carried out and International Airline License was issued to Air China, Air Asia, Malindo Airways and Austrian Airlines to conduct operations to Sri Lanka. Moreover the section renewed the international Airline license of 25 foreign air operators who are already conducting operations to Sri Lanka.

Transport of Dangerous Goods

Permit for Transport of Dangerous Goods (DG) by Air In 2016 this office renewed 15 DG permits of Foreign Airlines and 02 DG permits of Local Airlines for transport of Dangerous Goods by air. In addition to that the Operations Section involved in issuance of 23 special DG approvals to Airlines for Transport of DG by air.

DCP Monitoring and PPC Approvals

Approvals to conduct Pilot Proficiency Checks of 22 Pilots were granted, and our Inspectors were involved in monitoring of 08 Designated Check Pilots conducting Pilot Proficiency Checks

Instructor Approvals

- ➔ 05 Dangerous Goods Regulations (DGR) Instructors (SLA/Cinnamon)
- ➔ Safety Management System presentation by FITS Aviation for approval
- ➔ Observing of Evacuation Drill on aircraft 4R-MRF for certification of a safety Instructor for SLA
- ➔ Observing of Training of trainer at IAA
- ➔ Training observation of Capt. Maleen Perera conducting Performance class
- ➔ Train the Trainer course observation for Cinnamon air

Surveillance

The section continuously conducted surveillance on Local and Foreign Air Operators for the compliance of CAASL Regulatory Requirements with the approved Surveillance Plan to ensure the effectiveness of the Safety Oversight System in Sri Lanka and was involved in investigation into several incident/accident occurred during this year. Total of 143 surveillance activities were carried out in 2016 by the operations section including Ramp Inspections, En-route Inspections, DCP Monitoring Activities, Main Base Inspections and other inspections including Training Programme Observations as well.

A Comprehensive Regulatory Audit on FITS Aviation was carried out with the view of renewing their AOC by the section on 22 November 2016 to ascertain the level of compliance by the AOC holder for the stipulated ICAO SARPs and promulgated local regulations/procedures.

Designated Flight Operations Inspectors (DFOIs)

Due to shortage of competent FOIs employed with the CAASL in adequate numbers to accomplish regulatory functions including specially surveillance activities, Operations section initiated the process of employing

DFOIs in 2014. In 2016, our section intends to recruit 05 DFOI to be deployed with delegated powers by the Authority to perform certain regulatory duties and functions for or on behalf of the CAASL as & when required.

ICAO Universal Safety Oversight Audit Programme (USOAP)

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 2016 was in the process of providing up to date data/information pertaining to the Safety Oversight Capabilities of Sri Lanka. In preparation of the ICAO Audit due in November 2017, we are in the process of answering PQ's, CAP's and addressing.

Aircraft Registration and Airworthiness Section

The Aircraft Registration and Airworthiness Section is mainly responsible for the development of rules and procedure for registration of civil aircraft in Sri Lanka and monitoring airworthiness of Sri Lanka registered aircraft, in accordance with the applicable international standards and recommended practices. It includes grant of approval for aircraft maintenance organizations and monitoring their activities.

The section carried out Airworthiness related functions on all aircraft registered in Sri Lanka.

No aircraft in the Civil Aircraft Registry in Sri Lanka stood a total of 80 by the end of 2016 and it includes 30 large aircraft (MTOW > 5700KGS), 33 Light aircraft, 11 Helicopters, 4 Balloons and 2 Ultra lights.

In the year under review, a total of 09 initial Certificates of Airworthiness were issued and 53 Certificates of Airworthiness were renewed.

Aircraft Maintenance Organizations

In 2016, seven Maintenance Organizations (AMO) were issued with Licences whilst 66 AMO licences were renewed. A total of 20 Workshop approvals were also granted. A comprehensive audit was conducted on SriLankan Airlines Maintenance facility.

Aircraft Registrations

19 new aircraft were registered in 2016 whilst 61 were renewed. During the period under review, a total of 2 Aircraft from SriLankan fleet were de-registered.

Safety Oversight

A total of 72 Ramp inspections were performed on aircraft flying on International routes. Greater emphasis was given to monitoring domestic industry for streamlining the organizations for improved compliance via close surveillance, regular inspections, and Safety awareness meetings and interactions with Post Holders and Management.

A total of 149 Occurrence reports were received from the industry and analyzed as part of Safety Oversight programme.

Recommendations for Issue of Visas

Recommendations for Landing endorsement and Residence visas 148 foreign nationals working in the local industry and studying in local organisations.

Flying schools and Engineering Training Schools

A total of 5 AMTO Licences were renewed. 2 new AMTO were issued.

Aircraft Maintenance Licence Examinations

CAASL conducted two AML Examinations during the year.

Spare Parts Approval

A total of 201 letters were issued to numerous operators and Maintenance facilities to Import/Export Spares needed for Maintenance of Aircraft.

CORPORATE AFFAIRS AND ECONOMIC REGULATION DIVISION

Air Transport and Economic Regulation Section

The Year 2016 was a remarkable year where there was growth in the Air Transport Sector with an increase in passenger, cargo and aircraft movements. Improved air services arrangements during year was also helpful for the growth of the air transport sector in the year.

Airline Operations

Most of the foreign airlines which operated during 2015 continued their operations to Sri Lanka during 2016 whilst Himalaya

Airlines from Nepal, Sri Wijaya Airlines from Indonesia and Mega Maldives from Maldives commenced scheduled services as new operators to Sri Lanka. Recommencement of operations of KLM Royal Dutch Airlines from Netherlands to Sri Lanka after nearly two decades was significant.

The world's leading legacy airlines like Emirates, Singapore Airlines, Thai Airways, Etihad Airways, Qatar Airways, and Korean Air along with Sri Lankan Airlines contributed to the growth of passenger operations in Sri Lanka.

Top 10 Passenger Airline Comparison 2015/2016 (Based on Total Passengers Carried)

2015		2016	
Airline	%	Airline	%
SriLankan Airlines(UL)	51.70%	SriLankan Airlines(UL)	47.91%
Emirates(EK)	9.97%	Emirates Airlines (EK)	9.61%
Qatar Airways(QR)	6.14%	Qatar Airliner (QR)	7.28%
Mihin Lanka(MJ)	5.49%	Mihin Lanka Airline (MJ)	7.07%
Fly Dubai(FZ)	2.45%	Fly Dubai Airlines (FZ)	2.74%
Jet Airways(9W)	2.33%	Jet Airways (9W)	2.16%
Air Arabia(G9)	1.97%	Air India Airliner (AI)	1.98%
Etihad Airways(EY)	1.88%	Etihad Air Airlines (EY)	1.95%
Singapore Airlines(SQ)	1.78%	Air Arabia Airlines (G9)	1.79%
Cathay Pacific(CX)	1.77%	Singapore Airline (SQ)	1.75%

Air Asia, Air Arabia, Fly Dubai and Spice Jet along with Mihin Lanka continued their operations to Sri Lanka as budget operators providing a significant contribution to the growth of performance indicators of the Aviation industry of Sri Lanka. Mihin Lanka's operations were taken over by SriLankan Airlines with effect from 30th of October 2016.

Further to the aforementioned scheduled operators, Lot Polish (from Warsaw) Azur Air (from Russia), Neos SPA (From Italy), and Ukraine Airlines (From Russia) continued their charter operations to Sri Lanka during year 2016 as Inclusive Tour Charter Operators. Royal Flight Airlines (From Russia), Thomson Airways (From UK) and Travels Service Polska (From Poland) commenced their charter

operations as new operators to Sri Lanka. Sri Wijaya Airlines initially started their operations from Indonesia as a Charter Operator and later converted as a Scheduled Passenger Operator. Further Iceland Air, Thompson Air and Mahan Air operated inclusive tour charter flights as ad-hoc charter operators in this year as well.

Most of the leading international online operators significantly increased their codeshare operations to Sri Lanka with third party airlines during the year which was a boost to the choice of destinations available to/from Sri Lanka to the traveler. This was also vital to provide visibility and connectivity to lesser known cities of the world.

Ethihad Airways, Malaysia Airlines, Emirates were the top online airlines which performed the most number of codeshare operations as operating carriers among the foreign airlines during the year under review.

Sri Lankan Airlines' continued to codeshare with their 'One World Alliance' partners' route network with a reach of nearly 1000+ destinations and the Airline was also the leading Codeshare operating carrier in the Sri Lanka Market. Mihin Lanka the only home

based budget carrier's operations were taken over by SriLankan Airlines pursuant to a decision of the Government of Sri Lanka. SriLankan Airlines currently operates to the destinations operated by Mihin Lanka. Until this decision of the Sri Lanka Government was made, Mihin Lanka continued its codeshare operations with SriLankan airlines to many destinations.

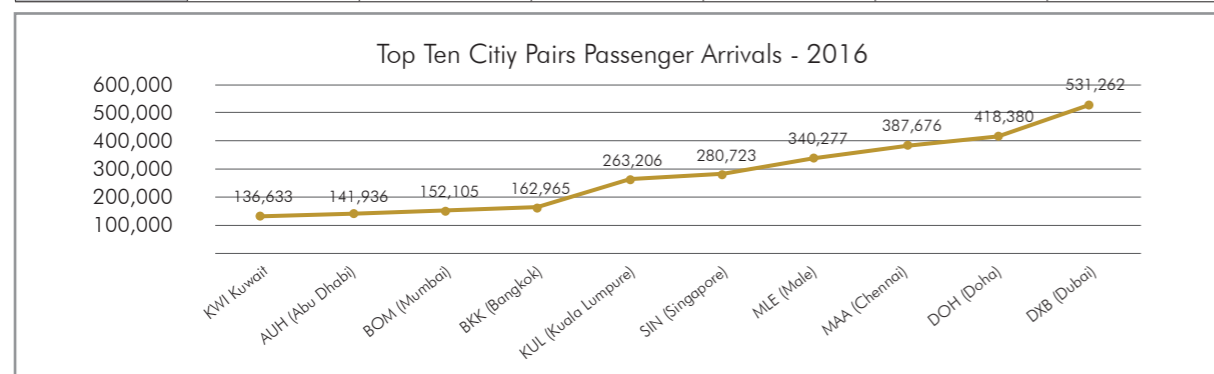
Fly Dubai and Rotana Jet continued their operations via Mattala during the year under review.

Passenger and Cargo Movement

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 Sri Lanka were 4,657,456 and 4,684,762 respectively. The market share of SriLankan Airlines of these passengers were 47.91% of the total passenger numbers.

Out of a total of 146,920 MT uplifted at BIA and MRIA in 2016, SriLankan Airlines uplifted 55,964 MT. With regard to cargo discharged at BIA and MRIA, out of a total of 107,349MT SriLankan Airlines discharged 52,394 MT.

	Passengers			Cargo (Metric Tons)		
	Departures	Arrivals	Total	Loaded	Unloaded	Total
2012	3,554,969	3,590,122	7,145,091	108,043	66,602	174,645
2013	3,621,822	3,690,047	7,311,842	119,447	71,776	191,224
2014	3,926,447	3,893,400	7,819,847	115,400	77,040	192,440
2015	4,252,619	4,273,959	8,528,593	116,585	98,446	215,032
2016	4,657,456	4,684,762	9,342,218	146,920	107,349	254,269
Growth Rate Y/Y	10%	10%	10%	26%	9%	18%



Transit Passengers

One strong indication to measure to which level the BIA has reached hub status is the volume of passengers and cargo that were transiting through the airport. In 2016, a total of 1,364,452 transit passengers were in transit at BIA and Sri Lankan airlines carried 94 % (1,286,616) of them.

Domestic Aviation

During the year under review Cinnamon Air continued their operations as domestic fixed-

wing/Amphibian scheduled passenger service operator to approved water aerodromes in the country. Daya Aviation Ltd continued with their private/Commercial fixed wing operations during the year.

Millennium Airlines (Pvt) Ltd continued to operate to several destinations in the Country using fixed and rotor wing aircraft. Senok Aviation, IWS Aviation Ltd and Richy skylark continued helicopter operations during 2016.

Statistics relating to Passenger Transportation by Local Operators for the Past Years are as follows.

Traffic Particulars 2016					
Domestic Operations					
Years	2012	2013	2014	2015	2016
Passenger Carried	8,421	7,694	28,568	15,463	30,523
Aircraft Movements	1,715	1,842	3,296	3,462	5,974
No of Aircraft Operators	3	8	8	8	7
Scheduled Flight	1	2	2	1	2
Charter Flight	2	6	6	7	5

The Fixed wing aircraft were engaged in the operation of passenger flights between domestic airports. Statistical data of passenger operations on most popular routes are as follows.

Top Ten City Pairs Passenger Movements (Domestic) 2016		
Batticaloa Airport (BTC)	Bandaranaike International Airport (CMB)	1,162
Bandaranaike International Airport (CMB)	Sigiriya Airport (GIU)	1,056
Bandaranaike International Airport (CMB)	China Bay Airport (TRR)	690
Palaly Airport (JAF)	Rathmalana Airport (RML)	1,917
Rathmalana Airport (RML)	Palaly Airport (JAF)	1,777
Rathmalana Airport RML	China Bay Airport (TRR)	2,977
China Bay Airport (TRR)	Bandaranaike International Airport (CMB)	1,284
China Bay Airport (TRR)	Mawella Lagoon Airport (DIW)	863
China Bay Airport (TRR)	Rathmalana Airport (RML)	3,489
China Bay Airport (TRR)	China Bay Airport (TRR)	1,000

The Rotor wing aircraft were engaged in the operations of passenger flights to all districts. Statistic relating to passengers on most popular district are as follows:

District	Passenger Movements (2016)
Ampara	524
Badulla	189
Colombo	1,732
Galle	1,873
Gampaha	263
Hambantota	373
Kandy	244
Matale	229
Ratnapura	103

Travel Agents

As per the regulations made under the Air Navigation (Special Provisions) Act No 55 of 1992, all travel agents and other Air Transport Providers in Sri Lanka are required to obtain a license issued by the CAASL renewed on an annual basis.

At the end of the year there were 538 Air Transport Providers licensed by the CAASL. The List of license holders is updated on the CAASL website on a monthly basis.

The Authority introduced a new system from 2015 to obtain Bank Guarantees from Travel Agents for new license holders as well as existing holders that renew. This was done with a view to protecting the traveling public against unscrupulous agents that dupe their customers. The Bank Guarantee requirement remained in the year 2016 as well and it was a great help for a healthy industry. The Global Distribution Service providers continued their support during the year concerned to avoid the continuation of unlicensed travel agencies by disconnecting the GDS connection.

Bilateral Air Services Negotiations

The CAASL took part in several Bilateral Air Services negotiations held with overseas Aeronautical Authorities as a member of the delegation of Sri Lanka. Two Bilateral Meetings were held on the sidelines of the 53rd DGCA's Conference in August 2016. CAASL also took part in the ICAO Conference on Air Services Negotiations (ICAN) for 2016 which was held in Nassau,

Bahamas in December 2016. The outcome of these negotiations were as follows.

Bilateral Negotiations held with Respective States

- **China (Colombo - August)** - Both delegations agreed as follows,
 - ✓ The traffic rights available for designated airlines of each party was increased up to 70 per week without any restrictions on type of aircraft.
 - ✓ Notwithstanding above entitlement Kunming has no limitation on 3rd and 4th frequency operations.
 - ✓ A new agreement initialed between Sri Lanka and China.
- **Indonesia (Colombo - August)** - Both delegations had a round of discussions and agreed to discuss the matters related to Air Services between states during a future negotiation.

Bilateral Negotiations held at the ICAN Conference in Nassau, Bahamas in December 2016.

Sri Lanka participated at the ICAO Conference on Air Services Negotiations (ICAN) held in Nassau, Bahamas in December 2016. Sri Lanka delegation met the following states:

Canada

A significant Agreement was reached between Sri Lanka and Canada in their Air Services relationship. Efforts of Sri Lanka for well over a decade was finally realized through the initialing of an Air Transport Agreement (ATA) between the two states. Although SriLankan Airlines and Air Canada have been code sharing for nearly 4 years on an extra-bilateral basis, there was no formal Bilateral Air Services framework to build upon.

Pakistan

Sri Lanka met the one-man delegation from Pakistan, who took note of Sri Lanka's request which was to increase the number of frequencies entitled to 7 per week to Lahore.

Bangladesh

The requests of the respective parties which was noted in a record of discussion is as follows:

Sri Lanka: requested 5th Freedom Traffic Rights out of Bangladesh to SAARC destinations for the designated Airlines of both sides. Sri Lanka: requested an open regime for freighter operations into and out of Bangladesh. Bangladesh: requested 5th Freedom Traffic Rights to Male from Sri Lanka.

Both parties agreed to consider these matters and revert.

India

The Indian Delegation offered open skies to Sri Lanka as specified in their National Civil Aviation Policy. An MOU was signed between the two parties to reflect the matters discussed:

- i. India agreed to open access to Sri Lanka designated Airlines to Delhi, Mumbai, Chennai, Kolkata, Hyderabad and Bengaluru.
- ii. Both parties agreed to provide for 3rd Party Code Sharing for its designated Airlines.

This was a significant achievement after many years of discussions.

Kenya

The Sri Lanka side reiterated their request to nominate Mahe (Seychelles) as an intermediate point with 5th Freedom Traffic Rights for the Designated Airlines of Sri Lanka in operating services in the Air Services Agreement.

The Kenya Side encouraged Airlines of both sides to explore in the first instance the possibility of corporation in order to build up the traffic potential on the Sector Mahe-Nairobi v.v.

Israel

The discussion was as follows:

- i. The Parties initialed an amending Air Transport protocol expanding on the existing arrangements.
- ii. Both sides to be entitled for 5 frequencies per week for passenger and all cargo using any type of aircraft.

Japan

A letter was exchanged by the Japanese delegation that permits designated airlines of Sri Lanka to offer Code-shared services to Tokyo Haneda.

Turkey

A Record of Discussion was signed between the two parties reflecting the discussions that took place:

- i. Turkish requested for Istanbul-Colombo-Chennai-Istanbul, 5th Freedom Traffic Rights, which was accepted by the Sri Lanka side for Freighter operations. However the Turkish request for 5th Freedom Traffic Rights to Male was declined by the Sri Lanka side.
- ii. The Turks requested for exemption from customs duties for their promotional materials. The SL delegation agreed to pursue the matter with the relevant authorities.
- iii. The Turks also requested for approval to station additional Turkish nationals at their office in Colombo in addition to the current approval for 3 personnel, the SL delegation stated that they could consider same on the basis of reciprocity.
- iv. The Turks also requested the Sri Lanka side to review the requirement to work with a local General Sales Agent. The Sri Lanka side responded that this matter has been considered in terms of the current civil aviation policy which is in draft format at the moment and there is provision for operations without a GSA provided sufficient bank guarantees are provided.

Hong Kong

The two delegations agreed to permit the expansion of the annex (route schedule) to further expand and provide flexibility to the designated airlines of both sides.

UAE and IATA

The Sri Lanka delegation had two separate informal meetings with United Arab Emirates delegation and the delegation from the International Air Transport Association on matters of mutual interest.

Airline Reservation & Fares Calculation Course

The Airline Reservation and Fares Calculation Course which commenced in 2009 has made steady progress in providing skilled human resources to the travel industry. 11th batch of the course was successfully completed within the year and the 12th batch was started.

Since its commencement, a total of 143 students have successfully completed this course, with many progressing to secure gainful employment with Airlines and Travel agents in Sri Lanka and overseas.

Slot Co-ordination

The Slot Allocation at BIA and HRI were conducted in terms of the agreed criteria of the Slot Committee during the Year. With BIA becoming a preferred destination for many Airlines and passengers any capacity constraints have to be addressed diligently to avoid any capacity restrictions in the future. Special slot committee meetings were convened due to the planned runway overlaying program scheduled for the first three months of 2017 and the slot allocations were done to accommodate the runway overlaying activity while ensuring the smooth operation of airlines during the period.

Consumer Complaints Handling

A Total number of 21 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

Conduct of Evaluation Meetings were continued as a part of 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.

There are four Global Distribution Systems (GDSs) namely Amadeus, Sabre (Abacus), Galileo and Worldspan currently providing airline inventories to the Sri Lankan market. All travel agent bookings are done through one of these GDSs and the section was able to make the Air Transport Providers (Passenger) License as one of the main requirements to have a GDS connection. The Section continued the surveillance program to remove unlicensed agents with the help of GDSs and it was very successful.

A new bank guarantee (BG) requirement was introduced as one of the requirements to obtain the license and it will help to prevent financially unhealthy agents in the industry. Also one of the aims was to use the BG to compensate the passengers who may be misled by travel agents.

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

The Section coordinated regular meetings with industry bodies such as Board of Airline Representatives, Sri Lanka Association of Airline Representatives, Travel Agents Association of Sri Lanka, IATA Agents association and with Government Institutions such as Department of Commerce to ensure a positive development in the Air Transport industry. The Head of the Section periodically attends meetings at IATA BSP's local managing forum, the Agency Program Joint Council (APJC) as an observer of the DGCA.

Human Resources & Office Management Section

14th Year Anniversary of CAASL

CAASL completed 14th Years since it's establishment on 27th December 2002. In commemorating the anniversary of the organization the Sports and Welfare Association of Civil Aviation Authority of Sri Lanka, organized a Bana Chanting with the participation of all staff with the blessings of clergy. The achievement of the CAASL over the last 14 Years could be well appreciated when the current status vis a vis the findings in ICAO Safety Oversight Assessment of 1997 Report is compared.

Organizational Reforms and Staffing

The CAASL organizational structure was approved in the latter part of 2013, by the Department of Management Services in line with the government policy on common categorization of employment, guided by the Management Services Circular No.30. In line with the reforms, the approval process of the Scheme of Recruitment was completed in mid-2015.

Since the cadre of CAASL was increased to a total of 189, most of the recruitments for the vacant positions took place in the year 2016. By the end of the year under review, CAASL staff consisted of 04 officials in the employment category of Senior Manager other than CEO, 10 in the employment category of Senior Manager, 22 in the category of Manager, 19 In the category of Operational/ Enforcement, 03 Under Junior Management category, 54 In the category of Management Assistants - Non Technological/ Technological, 17 under Primary Level skilled and 15 under the category of Primary Level un-skilled.

Staff Welfare

Medical Insurance Scheme remained as the mostly benefitted welfare facility offered to employees and their immediate family members. A total of one thousand one hundred and sixty three claims (1163) have been made by paid to 139 CAASL employees under Out Door patient benefits amounting to Rs.2, 649,089.67 for the policy period

from May 2016 till December 2016. The medical insurance indoor facility worth of Rs.3,177,550.79/- has been granted on 57 claims to employees during the same period.

The Accident Insurance Policy was renewed with Merchant Bank of Sri Lanka following the government circular issued in obtaining the services of insurance companies, with a special coverage to the Inspectors who sometimes may have to face potential situations harmful to their health, safety, and security.

The staff of the CAASL were also facilitated with grant of loans and a sum of Rs. 6,454,951.68 as Distress loans for thirty four (34) employees. Besides this, sum of Rs. 2,198,764/- was granted as loans to purchase Vehicles and Motor bikes in 2016. A Three Wheeler loans were granted amount to a sum of Rs.450, 000/- for one employee and Rs79, 250/- has been issued as Push bike loans to 04 employees. Festival Advance has been issued worth of Rs. 1,530,000/- for 94 Employees during the year.

Trainings, Seminars, Workshops, Meetings, Conferences

Despite of the limitations prevail on training and development of personnel required to carry out the job functions of CAA, total of Rs.27,936,161/- has been spent on Human Resource Development programmes. This has been spent for the staff in attending Local and Foreign trainings, seminars, workshops, meetings, conferences during the year under review.

In all, fifty two (52) human resource development activities held abroad were carried out which includes foreign trainings, seminars, workshops, meetings and conferences opportunities. Out of which most of the events had been attended by the Inspectors of CAA in obtaining the required updated knowledge on the latest trends.

There had been eight (08) foreign Inspections carried out by the officers in the year 2016. A total of forty (40) local programmes have been facilitated by HROM section inclusive of four (04) in-house local trainings conducted during the year under review.

Common training needs have been identified of the staff and eighty nine (89) man days of training have been provided to the staff category of Management Assistant – Non Technological at a total cost of Rs.919, 851.25.

Technical Library

CAASL library has been providing its services to both internal and external users. There had been 310 external users during the year 2016 who used the library for various facilities. This is an increase of 7% compared to the last year being a resource and knowledge center. A sum of Rs. 68, 830/- was spent on the purchase of new publications to the library for the year 2016. In addition to that in order to enhance the dissemination of updates among staff, Sectional Libraries were continuously maintained by the main the Technical Library.

CAASL Website

The website of CAASL had been viewed by 156,307 users during the year indicating the interest among public on the information relating to civil aviation. The website was given a face lift with new feature added. Information was re-organized considering the requirements. A separate website was also maintained in parallel for the 53rd conference of Directors General of Civil Aviation which was held in Colombo.

CAASL Corporate Plan and Work Programmes

Corporate Plan for the year 2016-2018 was prepared and took initial steps to finalize same. Some of the Key activities were amended to better present the activities to be carried out which are considered as priority items. Accordingly the Work Programmes of the Divisions, Sections and Units were developed while planning the activities to be performed.

Office Maintenance related Activities

CAA continued to function its Head Quarters in the leased building even during the year 2016 as the construction of the Head Office building at Katunayake is underway.

D I Building maintenance (Pvt) Ltd, was selected to provide janitorial services of the

CAA during the year for a sum of Rs.203, 994.50(without taxes) per month. Mechanism in monitoring the services of the company was developed and it was noticed that the services has been improved during the year and there had been no complaints.

The Security services agreement signed between the CAASL and the S D Agencies (Pvt) Ltd, was extended for the year 2016 by paying a sum of Rs. 268,669.08 (without Taxes) monthly for the Head office Building and the office building at Mattala.

The office quarters at Ratmalana was renovated during the last quarter of the year 2016 which cost Rs.199, 000/= in total by following the procurement process. A total of Rs.712, 763.77 has been spent on various maintenance related activities in keeping up the office ambience of CAASL Head Office. HROM section continued to maintain the CAASL quarters at Katunayake and Bungalows at Weerawila. Weerawila Bungalows had been offered as a welfare facility to the staff and a total of 830 Guests have occupied the buildings during the year 2016.

Information Technology

Leased line bandwidth has been increased from 512 Kbps to 2Mbps during the year under review. Further fiber optic connection has been obtained to the CAASL. Servers have been arranged as Email server, PdC server, Linc server, AD server, Anti virus server, Wsus Servers, Edge Server, LIMS server, DHCP server and SQL server and all servers are updated to the current date.

Information Technology Unit of CAASL, continued its support on IT infrastructures, network, emails and other IT support to the users. Enhanced IT facilities at the Mattala CAASL office to support the Training Programme to be commenced in the year 2017.

Leave Availed by the CAASL Employees

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 has encouraged frequent attendance at work. When compared the leave days

obtained against the man days of work under each employee category, the detail of availed leave by each category of employees against the total leave entitlement is as follows.

Leave Availed by the CAASL Employees - 2016

CEO	Snr. Manager other than CEO	Senior Managers	Managers	Asst. Mgr/ Ju. Mgr.	MA (Tech/ Non Tech)	Primary Leave
0.2%	1%	3.40%	9.30%	8.50%	32.64%	14.28%

Revenue and Financial Management Section

Programme Budget

The Programme Budget- 2016, which sets out the expenditure of the ensuing year under four major programmes viz. Direction and Management, Air Space & Aviation Security Regulation, Flight Safety Regulation and Corporate Affairs and Economic Regulation. The forecast revised income calculated as Rs. 1,690 million as against the revised estimated expenditure of Rs. 1,259 million. The estimated recurrent expenditure has shown increase of 55% compared to the last year actual expenditure and the forecast revenue has shown increase of 07% compared to the previous year actual revenue.

CAASL Revenue

CAASL revenue has shown 5% increase when compared to the previous year actual income amounting to Rs 1,579Mn to Rs.1,660Mn. significant increase can be seen from the income from Service charge from collection and distribution of Embarkation Levy and Regulatory Service Income.

Management Information

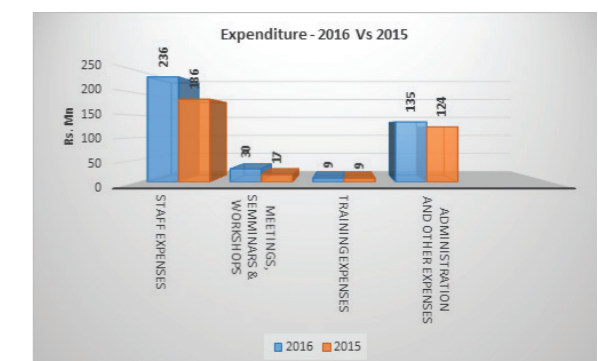
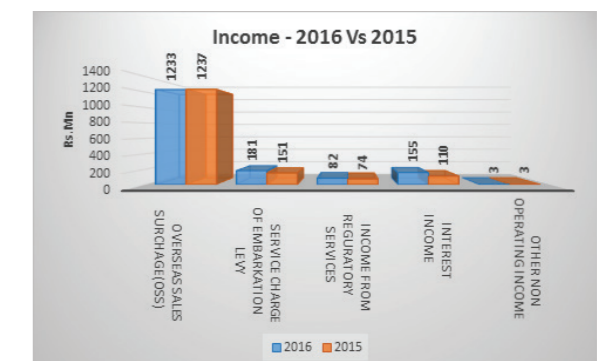
The Financial Management Information Statements have been prepared in accordance to the Sri Lanka Financial Reporting Standards.

Infrastructure Facilities

CAASL has commenced construction of its Head Office at Nikanda, Katunayake with the cost of Rs.803 Mn where by expected annual saving from rental Expenses of Rs. 44 Mn.

Major components of Income and Expenditure

Major components of Income and Expenditure of the CAASL in 2016.



KEY PERFORMANCE INDICATORS -2016

Performance of CAASL -2016

Safety and Security Oversight duties and functions (No of Regulations/Notices/Rules issued)	2016	2015
Air Transport	01	01
Aerodromes	02	00
Air Navigation Services	02	00
Initial Certification of Organizations/Personnel		
Maintenance Organizations	07	02
Pilots	253	196
Air Traffic Controllers	08	00
Aircraft Maintenance Licence Holders	11	10
Flight Dispatchers	05	08
Flight Instructors	04	04
Assistant Flight Instructors	04	05
Ground Instructors	51	15
Cabin Crew Members	212	139
Surveillance of Certified Organizations/Personnel		
Ramp Inspections - Airworthiness	72	75
Ramp Inspections - Operations	18	24
Aerodrome Inspections	33	37
Air Traffic Service Inspections	30	29
Aircraft Maintenance Organization Inspections	66	62
Flying Training School Inspections	12	08
Conduct of Aviation Security Surveillance Activities (Inspections, Audits, Surveys, Tests)	29	44
Simulator Inspections	00	03
En-route Inspections - Operations	14	03
Dangerous Goods Inspections	12	00
Station Facility Inspections - Airworthiness	02	04
Aeronautical Information Services Inspections	16	16
Main Base Inspections/Instructor Observations	13	53
Designated Check Pilot (DCP Monitoring)	34	42
Audit Completed		
Aerodromes	01	00
Aviation Security	01	01

Category	2016	2015
Direction and Management		
Authority Meetings	14	08
Audit Committee Meetings	05	04
Staff Committee Meetings	01	07
Industry Consultative Meetings	75	47
Appointment to Outside Organizations / Personnel	220	190
Number of Letters Received	4864	4214
Aviation Security Section		
Reviews/Amendments – National Civil Aviation Security Programme and Subsidiary Documents	06	02
Evaluations/Reviews – Local Airline / Airport Operator Aviation Security Programme	02	03
Evaluations/Reviews – Foreign Airline Operator Aviation Security Programme	20	16
Evaluations/Reviews – Aviation Security Training Programme / Syllabuses	03	01
Conduct of Aviation Security Surveillance Activities (Inspections, Audits, Surveys, Tests)	29	44
Certification and Re-Certification of Aviation Security Managers	07	17
Certification and Re-Certification of Aviation Security Instructors	07	06
Certification and Re-Certification of Aviation Security Screeners	419	499
Approval for Carriage of Weapons on Board/Cargo Holds of an Aircraft	196	181
Recommendation for Issuance of Airport Access Permits	96	27
Conduct of Aviation Security Training/Lectures/Presentation	10	04
Providing Expertise Services to Government & Other Agencies	01	00
Participation of Foreign Trainings/Workshops/Seminars/Meetings/ ICAO Missions	03	05
Research, Development Planning and Special Projects Section		
Construction of CAASL Head Office Building		
Meetings with Consultant	27	05
Site Visits	20	06
Meeting with Contractor	27	06
Internal Meetings	17	03
Guwansara Magazines Published	02	01
CADEC Programmes Conducted	02	02
Workshops for School Students	01	01
Workshops for School Students Clubs	01	01
CAA Annual Report	02	01

Other Publications/Reports	13	05
Sectional Statistics	12	12
CAASL Statistics	144	121
Promotional Activities	33	17

Air Navigation Services Section

Approvals for Issuances of NOTAM	403	353
Issuance of Aeronautical Information Circulars	08	00
AIP Supplement Issued	00	07
AIP Supplement Amended	02	00
Issuance of Over Flying Clearance	1007	921
Landing Permissions for Non - Schedule Flights	1022	891
ATS Surveillance Carried Out	30	28
AIS Surveillance Carried Out	16	16

Aerodrome Section

Approvals for Construction of High Rise Structures	415	141
Approval for Water Aerodromes	10	00
Aerodrome Surveillance Carried Out	33	36

Training Organization and Personal Licensing

Student Pilot Licences (SPL) (Issuance+Renewals)	166	154
Private Pilot Licences (PPL) (Issuance+Renewals)	118	120
Commercial Pilot Licences(CPL) (Issuance+Renewals)	358	292
Airline Transport Pilot Licences (ATPL) (Issuance+Renewals)	337	352
Air Traffic Controller Licences (ATC) (Issuance+Renewals)	45	51
Aircraft Maintenance Engineer Licences (Issuance+Renewals)	04	03
Aircraft Maintenance Licence-(Issuance+Renewals)	468	472
Aircraft Maintenance Licence-Type Ratings-Issuances	34	20
Aircraft Maintenance Licence-Categories-Issuances	07	00
Cabin Crew Certificate-Issuance	361	242
Flight Operation Officer Licence-Issuance	05	08
Free Balloon Pilot Licence- (Issuance+Renewals)	00	01
Aircraft type Rating for Commercial Pilot Licence (CPL)/ Airline Transport Pilot Licences (ATPL) Issuances	81	131
Assistant Flight Instructor (AFI) /Flight Instructor (FI) Rating - (Issuance+Renewals)	32	29
Flying School Licences-Renewal	06	06
Ground Instructor Licence – Issuance+Renewal	07	00

Ground Instructor Approvals	49	16
Air Traffic Controllers Rating (Issuance+Renewals)	144	177
Flying School Licences-Issuances	02	00
Issuance of Visa Recommendations	47	30
Issuance of NIB Clearances	73	93
Medical Examinations	911	909

Personnel Licensing Examinations

PPL Examination (Number of Papers)	337	354
Flight Operations Officer Examination	09	12
AML Examination (No of Exams)	02	01
AML Examination (No of Applicants)	745	319
ATPL (A) Examination (Number of Papers)	1277	1674
ATPL (H) Examination (Number of Papers)	04	26
Foreign Licence Conversation Examinations	00	02
English Language Proficiency Check	84	98
Reactivation of Lapsed Licence Examination (CPL/IR)	02	00
Radio Telephony Practical Test	56	64
Assistant Flight Instructor Examination	02	04

Aircraft Operations

Special Operations	01	18
Foreign Air Operator Certificate - Initial	11	05
Foreign Air Operator Certificate - Renewal	22	18
Dangerous Good Transport Licences - Initial	01	00
Dangerous Good Transport Licences - Renewal	13	18
DCP Initial	13	10
DCP Renewal	26	31
Air Operator Certificate - Renewal	11	08
Simulator Renewal	06	07
Check Authorization	117	199
Surveillance Activities Performed	117	62

Aircraft Registration and Airworthiness

Training Courses/ Seminars Attended	01	01
Surveillance Activities Carried Out (Ramp, Audit)	86	199
Certificate of Airworthiness of Aircraft - Initial	10	11
Certificate of Airworthiness of Aircraft - Renewal	69	55

Approval of Workshop of Aircraft Maintenance Organization	20	36
Certificate of Registration of Aircraft - Initial	19	11
Certificate of Registration of Aircraft - Renewal	61	63
Approval of Maintenance Organization with Facility Inspection(Initial + Renewals)	73	62
Resolution of Aviation Occurrences	149	121

Air Transport & Legal Affairs

Draft new regulations produced	01	01
Training courses / seminars attended	03	03
Existing Guidance Material revised	00	01
Domestic flight schedule approvals	11	11
Surveillance of Air Transport Providers and evaluation meetings carried out	46	67
International flight schedule approvals	287	180
Visa recommendation for non-technical experts staff	47	52
Charter Licences for Sri Lanka Registered Airlines	09	09
Airline Licences for Sri Lanka Registered Airlines	06	09
Charter Licences - International Operations	02	03
Charter Licences - domestic regular Operations	07	05
Air Transport Provider's Licences	538	589
Private Operations Licence	01	01
New Air Service Agreements entered	00	01
Existing Air Services Agreements reviewed	01	03
Open skies air services agreements	15	07

Human Resources and Office Management

Staff Recruitment	17	17
Total Overseas Training Arranged	52	14
Total Local Training Arranged	40	30
Total Staff	172	144
Performance Evaluations Conducted	07	27
Staff Retirements	01	04
Staff Loans Facilitated (Rs Million)	9.5	21.1
New Documents Added to the Technical Library	06	19
Icao Documents Access & Update	182	167
General Aviation & Other Publications	162	143

Revenue and Finance Management

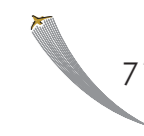
Total Revenue Collected (Rs. Million)	1660	1579
Total Expenditure Incurred (Rs. Million)	433	364
Total Staff Expenses Paid (Rs. Million)	236	186

Quality and Internal Audit

Audits Conducted	40	26
Findings Raised	83	84

Aircraft Accident and Incident Investigation

Incidents reported	02	01
Occurrence reported	292	276
Minor injuries to passengers or crew	04	13
Training courses/seminars attended	01	02
Existing Guidance Material revised	03	00



PERFORMANCE OF THE INDUSTRY - 2016

TRAFFIC PARTICULARS INTERNATIONAL TRAFFIC

	2016	2015	Growth
Passengers			
Embarked	4,657,456	4,252,619	10%
Disembarked	4,684,762	4,273,959	10%
In Transit	1,364,452	1,247,453	09%
Cargo (Metric Tons)			
In Bound	107,349	98,446	09%
Out Bound	146,920	116,585	26%
Aircraft Movements			
Scheduled Flights	59,666	54,137	10%
Charters Flights	5,949	4,592	30%
Number of Airline Operated			
Scheduled Services	28	27	04%
Charters	08	08	00%
All Cargo	05	03	67%
Domestic Traffic			
Passengers Carried	30,523	15,463	97%
Aircraft Movements	5,974	3,462	73%
Number of Airlines Operated			
Scheduled Flights	02	01	100%
Charter Flights	05	07	-29%

FINANCIAL

STATEMENT'S



CIVIL AVIATION AUTHORITY OF SRI LANKA
STATEMENT OF PROFIT OR LOSS
 FOR THE YEAR ENDED 31ST DECEMBER 2016

	Note	2016 Rs.	2015 Rs.
Income		1,660,271,048	1,578,892,574
Operating Income	(1)	1,496,319,113	1,462,339,535
Non-Operating Income	(2)	163,951,935	116,553,039
Expenditure		432,649,534	364,420,158
Staff Expenses	(3)	236,120,184	186,176,165
Meetings, Seminars and Workshops	(4)	29,468,364	16,953,174
Training Expenses	(5)	8,973,167	8,756,865
Administration and Other Expenses	(6)	135,269,400	124,068,461
Depreciation	(8)	21,041,418	28,465,493
Amortization of Intangible Assets	(9)	1,777,001	-
Profit from Ordinary Activities before Taxation		1,227,621,514	1,214,472,416
Taxation	(7)	346,480,058	343,184,623
Net Profit for the Year		881,141,456	871,287,793

CIVIL AVIATION AUTHORITY OF SRI LANKA
STATEMENT OF FINANCIAL POSITION
 AS AT 31ST DECEMBER 2016

	Note	2016 Rs.	2015 Rs.
ASSETS		3,653,844,593	3,195,629,176
Non-Current Assets		494,985,108	388,271,116
Property, Plant & Equipment	(8)	211,521,640	215,905,872
Intangible Assets	(9)	1,944,674	-
Work in Progress - Capital	(10)	281,217,671	172,365,244
Fixed Deposit- Staff Welfare & Social Security Fund		301,123	-
Current Assets		3,158,859,485	2,807,358,060
Inventories		5,020,654	5,450,817
Trade Receivables	(11)	116,299,047	242,091,717
Staff Loans	(12)	39,904,738	46,112,586
Financial Assets	(13)	1,694,555,305	1,582,300,523
Advances, Prepayments and Other Receivables	(14)	93,426,423	102,402,377
Cash and Cash Equivalents	(15)	1,209,653,318	829,000,040
EQUITY AND LIABILITIES		3,653,844,593	3,195,629,176
Capital and Reserves		2,467,386,618	1,972,396,173
Government Grants	(16)	50,347,959	29,170,677
Revaluation Surplus	(17)	7,000,418	29,050,410
General Reserve	(18)	1,150,000,000	1,150,000,000
Accumulated Profit		1,260,038,241	764,175,086

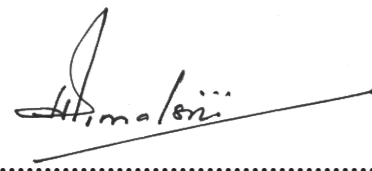
CIVIL AVIATION AUTHORITY OF SRI LANKA
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2016

	Note	2016 Rs.	2015 Rs.
Non-Current Liabilities		78,713,255	314,132,959
Deferred Tax Liabilities	(19)	14,076,078	11,330,044
Deferred Interest Adjustment	(20)	30,804,275	28,805,992
Provisions and Other Liabilities	(21)	26,476,006	265,927,756
Retirement Benefits Obligation	(22)	7,356,896	8,069,167
Current Liabilities		1,107,744,720	909,100,044
Trade Payables	(23)	966,442,757	723,166,052
Other Payables	(24)	20,344,855	15,086,796
Income Tax Liabilities	(25)	120,957,108	170,847,196

The Accounting Policies on pages 81 to 91 and Notes to the Financial Statements on pages 92 to 101 form an integral part of these Financial Statements. These Financial Statements give a true and fair view of the state of affairs of the Authority as at 31.12.2016

Director – Revenue and Financial Management

The Board of Directors is responsible for the preparation and presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. These Financial Statements were approved by the Board of Directors and signed on their behalf.



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



Ananda Wimalasene
Chairman

Civil Aviation Authority of Sri Lanka
28th February 2017

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2016

	Government Grant	Revaluation Reserve	General Reserve	Accumulated Profit	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January 2015	7,350,272	8,764,840	1,200,000,000	241,611,803	1,457,726,915
Profit for the period				871,287,793	871,287,793
Transfers during the year	22,365,308	22,049,992	(50,000,000)	50,000,000	44,415,300
Revaluation surplus on disposals		(1,764,422)		1,764,422	-
Disallowable VAT 2012				(488,932)	(488,932)
Appropriation of net surplus – Consolidated Fund				(400,000,000)	(400,000,000)
Amortization for the year	(544,903)				(544,903)
Balance as at 31st December 2015	29,170,677	29,050,410	1,150,000,000	764,175,086	1,972,396,173
Profit for the period				881,141,456	881,141,456
Prior year adjustments				32,721,699	32,721,699
Transfer- Accident Investigation Fund				250,000,000	250,000,000
Transfer- Revaluation Surplus	22,049,992	(22,049,992)			-
Appropriation of net surplus – Consolidated Fund				(668,000,000)	(668,000,000)
Amortization for the year	(872,710)				(872,710)
Balance as at 31st December 2016	50,347,959	7,000,418	1,150,000,000	1,260,038,241	2,467,386,618

CIVIL AVIATION AUTHORITY OF SRI LANKA
STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED 31ST DECEMBER 2016

	2016	2015
	Rs.	Rs.
Cash Flows from Operating Activities		
Profit/(Loss) from Ordinary Activities before Taxation	1,227,621,514	1,214,472,416
Adjustments for		
Depreciation	21,041,418	28,465,493
Amortization of Intangible Assets	1,777,001	
Amortization of Government Grant	(872,710)	(544,903)
Income from Investments	(154,795,710)	(109,877,199)
Provision for Insurance Fund	-	(46,400)
(Profit)/Loss on sales of Property, Plant & Equipment	2,002,676	193,604
Disallowable VAT	-	(488,932)
Provision for Defined Benefit Plans	604,470	(4,307,213)
Operating Profit/(Loss) before Working Capital Changes	1,097,378,658	1,127,866,866
(Increase) /Decrease in Inventories	430,163	(173,111)
(Increase)/ Decrease in Trade Receivables	125,792,670	(1,296,781)
(Increase) / Decrease in Staff Loans	4,176,975	(13,365,442)
Increase / (Decrease) in Advances, Prepayments and Other Receivables	12,227,585	(18,122,293)
Increase in Trade and Other Payables	248,534,765	104,302,230
Cash Generated from Operations	1,488,540,816	1,199,211,470
Cash Received from Prior year Transactions	32,721,699	
Defined Benefit Plan Costs Paid (Gratuity)	(1,316,740)	(103,000)
VAT Refund	(21,676,129)	(5,057,598)
Income Tax Paid	(371,947,982)	(340,960,252)
Net Cash From Operating Activities	1,126,321,665	853,090,620

STATEMENTS OF CASH FLOW
 FOR THE YEAR ENDED 31ST DECEMBER 2016

	2016	2015
	Rs.	Rs.
Cash Flows from Investing Activities		
Acquisition of Property, Plant & Equipment	(22,503,547)	(9,747,885)
Acquisition of Intangible Assets	(100,000)	-
Increase in Work in Progress	(108,852,428)	(155,867,307)
Proceeds from Sale of Property, Plant & Equipment	222,010	399,980
Acquisition of other Investments	(112,555,905)	(245,904,188)
Interest Received	155,573,235	152,631,011
Cash Received on Behalf of Bank Guarantee	10,548,250	(1,064,867)
Net Cash Used in Investing Activities	(77,668,386)	(259,553,256)
Cash Flows from Financing Activities		
Consolidation Fund	(668,000,000)	(400,000,000)
Net Cash Used in Financing Activities	(668,000,000)	(400,000,000)
Net Increase/(Decrease) in Cash and Cash Equivalents	380,653,278	193,537,364
Cash and Cash Equivalents at the beginning of the year	829,000,040	635,462,676
Cash and Cash Equivalents at the end of the year	1,209,653,318	829,000,040
<i>Analysis of Cash & Cash Equivalents</i>		
Cash at Bank	721,653,318	479,000,040
Short term investments	488,000,000	350,000,000
	1,209,653,318	829,000,040

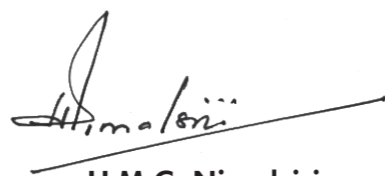
STATEMENT OF RESPONSIBILITY OF MANAGEMENT OF THE AUTHORITY TO FINANCIAL REPORTING

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.



Ananda Wimalasene
Chairman



H.M.C. Nimalsiri
Director General & Chief Executive Officer

Civil Aviation Authority of Sri Lanka
28th February 2017

SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL INFORMATION

- 1.1. Civil Aviation Authority of Sri Lanka having its registered office at No 04, Hunupitiya Road Colombo 02.
- 1.2. The Financial Statements of the Civil Aviation Authority of Sri Lanka for the year ended 31st December 2016 were authorized for issue in accordance with the resolution of the Civil Aviation Authority on 27th February 2017.
- 1.3. The Civil Aviation Authority of Sri Lanka was established under the Civil Aviation Authority Act No 34 of 2002 on 27th December 2002 and is deemed a Statutory body, in which its functions are to regulate safety, 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 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.

SIGNIFICANT ACCOUNTING POLICIES

2. GENERAL POLICIES

2.1. 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) & (LKAS) 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.

Responsibility for Financial Statements.

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

2.2. 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.

2.3. 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. Investment in Treasury Bills are shown at their Face Value whereas previous years shown at their cost.

The carrying value at the balance sheet date of financial Instruments is Rs. 2,182,856,428/- (2015 Rs: 1,932,300,523/-)

(b) Valuation of defined benefit obligation

The cost of defined benefit pension plans is determined using the formula method as per the Sri Lanka Accounting Standard

19(LKAS)

The carrying value at the balance sheet date of defined benefit obligation is Rs. 7,356,896 (2015: Rs. 8,069,167)

(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.

2.4 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.

2.5 Prior Year Adjustments

2.5.1. The receipts of incurred expenses for regulation preparation of Rs29,728,011.20 and contribution received for 100 years celebration of Aviation in Sri Lanka of Rs2,993,688.43 were treated as previous year's income and accounted to the brought forward profit of the Authority.

2.5.2. The PAYE Tax of Rs.5,285.00 had been paid out of the Authority Fund for the salary increments made prior to

July 2015 and charged to the current year considering the materiality of the transaction and thereafter PAYE Tax is being deducting from the Employee

3. SPECIFIC ACCOUNTING POLICIES

3.1 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.

3.1.1 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.

3.1.2 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.

3.1.3 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.

3.1.6 De-recognition

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

- The rights to receive cash flows from the asset have expired.
- The Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either.
 - (a) The Authority has transferred substantially all the risks and rewards of the asset, or
 - (b) The Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Authority has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Authority's continuing involvement in it. In that case, the Authority also

recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Authority could be required to repay.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 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 changed the policy of revaluing assets every 03 years to every 05 years with effect from 2014. 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.

4.2 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.

4.3 In terms of section 9 of the Civil Aviation Authority Act No. 34 of 2002 the Hon. Minister of Transport & Civil Aviation has published a Gazette Notification No: 1973/78 dated 01st July 2016 to transfer & vest Baticalloa aerodrome with Civil Aviation Authority of Sri Lanka and the acquiring process is being done. Operation and Maintenance of aerodromes and aeronautical facilities mentioned in the second and third schedules will be taken in to account when the Minister has ordered to publish in the Gazette.

4.4 The value of the two vehicles 65-3651 and 65-3653 have been taken into the accounts based on the tax paid to the Sri Lanka Customs. The valuation report of the above vehicle have been requested from the Department of Valuation and the process is still pending

4.4 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%
Other Fixed Assets	25%

Depreciation has been charged to profit & loss account on month basis 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.

4.5 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.

- 4.6** The Building worth of Rs.7, 127,059.00 has disposed during the year 2016 for facilitating to construct the Head Office Building and thereby loss of Rs.2,039,537.32 had been reported.

4.7 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.

5 INTANGIBLE ASSETS

IT Software which was categorized under Property, Plant & Equipment in year 2015 has been categorized under Intangible Assets from year 2016.

Cost Model will be applied in measurement of Intangible Assets.

The provision for amortization is calculated on the straight-line basis on the Cost (less 10% of the residual value of the cost of the asset) of IT software. All IT software amortized annually at the rate of 50% in order to write off such amounts over the useful lives.

6. 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)

7. 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.

(e) VAT Receivable

Although Rs.59,504,356/- has been included in the Financial Statements 2016 as receivables, the final audited report has not been received from the Department of Inland Revenue.

8. 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.

9. 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

9.1 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 full month salary multiplied by number of years in service and calculations are based on the formula method as of LKAS 19.

9.2 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. Fixed Deposit of Staff Welfare & Social Security Fund categorized under Current Assets in year 2015, categorized under Non – Current Assets from year 2016

10 FINANCIAL LIABILITIES

10.1 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.

11. 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.

12. GENERAL RESERVE

Rs.1,150 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.

13. INCOME RECOGNITION

13.1 In terms of section 12 of Civil Aviation Authority Act No. 34 of 2002 the Authority shall have its own Fund and all money received by the Authority under section 12(2) shall be paid into that fund. The money received under section 12(2) has been classified under income in financial statements for presentation purposes to be complied with the SLFRS.

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

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

13.3 Income received from Airfare & Ticketing Course, Administrative Fine and Sale of centenary Aviation Book, which was categorized under Operating Income in year 2015

have been categorized under Non-Operating Income in year 2016.

13.4 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.

13.5 Other Income

Other income is recognised on an accrual basis

14. 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.

DGCA's conference expenses which was categorized under General Operating Expenses in year 2015 has been categorized under Meetings, Seminars & Workshops in year 2016.

Rs. 581,390/- has been paid as rent and hire charges of 05 vehicles obtained under operating leases.

15. 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.

16. CURRENT AND DEFERRED INCOME TAX

16.1 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.

16.2 A Reconciliation between Tax Expenses and Profit of Accounting Multiplied by the Statutory Tax Rate is as follows

	2016 (Rs)	2015 (Rs)
Accounting Profit Before Income Tax	1,224,771,614.01	1,214,472,416.00
Less : Income from other Sources & Exempt Income	(190,485,588.03)	(157,772,142.49)
	1,034,286,025.98	1,056,700,273.51

Non- Deductible Expenses	24,930,991.00	30,403,355.15
Statutory Income from Business	<u>1,059,217,016.98</u>	<u>1,087,103,628.66</u>
Less : Tax Exempt Profit	0.00	0.00
Taxable Income - Business Income	<u>1,059,217,016.98</u>	<u>1,087,103,628.66</u>
Taxable Income - Non- Business Income	<u>170,838,411.06</u>	<u>121,336,825.59</u>
Total Taxable Income	<u>1,230,055,428.04</u>	<u>1,208,440,454.25</u>
Income Tax Expenses		
Taxable income- Business & Non-Business Income 28%	344,415,519.85	338,363,327.19
Income Tax Expenses	<u>344,415,519.85</u>	<u>338,363,327.19</u>

17. 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 Reporting 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.

18. EVENTS AFTER THE REPORTING PERIOD

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.

19. 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.

20. 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 flow

21. 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. A Block of Land extending to 0.2590 hectares has received as Government Grant during the year, therefore total land area for deed No 3927 counting to 0.5327 hectares at Nikanda, Katunayake.

The Revaluation value of Rs.22, 049,992.00 of the block of land at Nikanda ,Katunayake extending 0.2737 hectares had been accounted as revaluation reserve during the financial year 2015 .The revaluation value has now been transferred to the Government Grant account during the financial year of 2016.

Government Grants as at 01.01.2015	-	Rs.	7,350,272
Add: Grants Received during the year	-	Rs.	22,365,308
Less: Amortization for the year 2015	-	Rs.	<u>(544,903)</u>
Government Grants as at 31.12.2015	-	Rs.	29,170,677
Add: Grants Received during the year	-	Rs.	22,049,992
Less: Amortization for the year 2016	-	Rs.	<u>(872,710)</u>
Government Grants as at 31.12.2016	-	Rs.	<u>50, 347,959</u>

Amortization of Government Grant

The provision for amortization 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 which are accounted against the Government Grant as a corresponding account have been amortized annually on the following percentages over the useful lives.

Buildings	6 2/3%
Plant, Machinery & Equipment	25 %
Furniture & Fittings	25 %

The compensation paid to Key Management Personnel are as follows,

	2016 (Rs.)	2015 (Rs)
Short -Term Employee Benefits	58,997,664	35,923,733
Post-Employment Benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-

22. RELATED PARTY TRANSACTIONS.

According to the Sri Lanka Accounting Standards (LKAS24) Related Party Disclosures Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the Authority. Therefore, the Board of Directors of the Authority has been classified as key Management Personnel of the Authority.

NOTES TO FINANCIAL STATEMENTS

Note	2016 Rs.	2015 Rs.
(1) Operating Income	1,496,319,113	1,462,339,535
Overseas Sales Surcharge	1,233,237,881	1,236,794,398
Service Charge of Embarkation Levy	181,187,790	151,426,238
Income from Regulatory Services	81,893,442	73,532,009
Other Operating Income	-	586,890
(2) Non-Operating Income	163,951,935	116,553,039
Rental Income	111,146	101,195
Profit from Disposal of Fixed Assets	36,861	155,581
Reservation of Circuit Bungalow	270,940	132,480
Interest Income from Staff Loans (IFRS adjustment)	5,270,095	3,505,538
Amortization of Government Grant	872,710	544,903
Tender Application Fees	10,000	7,000
Airfare & Ticketing Course - receipts	267,600	-
Administrative Fine	834,494	-
Miscellaneous Income	1,482,380	2,229,143
Interest Income		
Interest from Staff Loan	2,840,600	3,304,833
Interest from Treasury Bill	112,528,009	86,807,695
Interest from Call Deposits	39,427,100	19,764,671
(3) Staff Expenses	236,120,184	186,176,165
Salaries and Wages	109,243,992	88,552,947
Other Allowances	67,927,555	51,888,006
Incentive Payments	31,750	-
Employee Provident Fund	26,279,491	20,964,759
Employee Trust Fund	5,250,909	4,230,804
PAYE Tax	5,285	1,404,046

NOTES TO FINANCEIAL STATEMENT

Note	2016 Rs.	2015 Rs.
Leave Encashment	4,432,312	4,269,777
Bonus	3,711,520	3,373,323
Welfare Expenses	10,083,895	9,394,980
Gratuity	604,470	(4,307,213)
Over time and Holiday Payment	3,278,911	2,899,198
Staff Cost on Loan Benefits – (IFRS Adjustments)	5,270,095	3,505,538
(4) Meetings, Seminars and Workshops	29,468,364	16,953,174
Workshop and Seminar Expenses		
Local	241,025	2,266,491
Foreign	10,815,924	14,686,683
DGCA's Conference Expenses	18,411,415	-
(5) Training Expenses	8,973,167	8,756,865
Training Expenses		
Local	1,125,073	1,459,430
Foreign	7,848,094	7,297,435
(6) Administration and Other Expenses	135,269,400	124,068,461
Inspections	484,527	162,804
Out Door Meetings	352,457	120,608
In House Meetings	505,402	434,097
Travelling Expenses - Local	30,505	12,793
Consultancy and Legal Fees	368,000	257,000
External Technical Assistance	80,000	419,516
Staff Conflict Resolutions	78,400	-

NOTES TO FINANCIAL STATEMENTS

Note	2016 Rs.	2015 Rs.
Interviews / Staff Evaluations	2,007,274	527,500
Board Payments	1,291,500	933,000
Maintenance of Property, Plant and Equipment	2,011,104	1,340,159
Stationery and Consumable Expenses	7,482,784	6,107,865
Domestic Airport Development	57,490	-
Other Supplies	488,649	914,537
Telecommunication	4,354,330	3,941,136
Postal Charges	264,476	225,104
Contributions to International Civil Aviation Organization	21,400,252	22,860,390
Subscription for Publication & Advertisement	910,321	1,719,463
Examination Fee	400,237	153,245
Printing Expenses	1,495,241	607,077
Bank Chargers	360	-
Audit Fee	1,800,000	500,000
Loss on Disposal of Assets	2,039,537	349,184
Translation and Typing Expenses	98,205	175,015
Welfare Utilities – Sports	209,927	293,490
Sundry Expenses	82,156	42,164
Fuel & Lubricants	3,722,409	5,250,349
Vehicle Maintenance	8,660,570	9,263,305
Rent and Hire Charges	581,390	-
Common - Welfare	358,177	266,088
Expenses for Office Building and Quarters		
Building Rent	44,113,103	40,499,657
Electricity	13,565,499	12,144,549
Water	1,170,303	1,028,661
Security	3,464,924	2,930,172
Janitorial	1,830,189	1,871,861
Other Maintenance	1,168,953	1,539,857
Management Services	2,302,500	2,253,060
Aviation Development	1,838,485	1,531,185
IT Maintenance	2,207,933	974,891
Corporate Social Responsibility	-	25,000
Organizational Events	1,734,836	428,951
DGCA's Conference Expenses	-	1,861,218
Airfare and Ticketing Course Expenses	256,995	103,510

NOTES TO FINANCIAL STATEMENTS

(7) Taxation	346,480,058	343,184,623
Income Tax 28%	343,734,024	340,052,276
Deferred Tax	2,746,034	3,132,347

Note (8)	Property, Plant and Equipment (Rs.)						
	Cost/Valuation	Balance as at 01/01/2016	Additions/Transfers	Disposals	Balance as at 31/12/2016	Balance as at 31/12/2015	
	Land	49,774,500	10,426,070	-	60,200,570	49,774,500	
	Building	101,872,632	256,710	(7,127,059)	95,002,283	101,872,632	
	Vehicles	110,315,313	-	-	110,315,313	110,315,313	
	Plant and Machinery	59,245,520	10,530,119	(615,821)	69,159,818	59,245,520	
	IT Software	-	-	-	-	15,260,623	
	Furniture and Fittings	32,763,927	1,088,159	-	33,852,085	32,763,927	
	Other Fixed Assets	536,946	202,490	-	739,436	536,946	
	Total	354,508,838	22,503,547	(7,742,880)	369,269,505	369,769,460	
	Depreciation	Balance as at 01/01/2016	Charge for the year	Depreciation for Disposals	Balance as at 31/12/2016	Balance as at 31/12/2015	
	Building	15,742,034	5,813,867	(4,933,262)	16,622,639	15,742,034	
	Vehicles	54,287,027	10,247,492	-	64,534,519	54,287,027	
	Plant and Machinery	46,374,071	3,301,322	(584,932)	49,090,461	46,374,071	
	IT Software	-	-	-	-	11,638,948	
	Furniture and Fittings	25,311,501	1,660,933	-	26,972,434	25,311,501	
	Other Fixed Assets	510,008	17,803	-	527,811	510,008	
	Total	142,224,640	21,041,418	(5,518,194)	157,747,865	153,863,589	
	Written Down Value	-	-	-	211,521,640	215,905,872	

Note (9)	Intangible Assets (Rs.)						
	Cost/Valuation	Balance as at 01/01/2016	Additions/Transfers	Disposals	Balance as at 31/12/2016	Balance as at 31/12/2015	
	IT Software	15,260,623	100,000	-	15,360,623	-	
	Total	15,260,623	100,000	-	15,360,623	-	
	Depreciation	Balance as at 01/01/2016	Charge for the year	Depreciation for Disposals	Balance as at 31/12/2016	Balance as at 31/12/2015	
	IT Software	11,638,948	1,777,001	-	13,415,949	-	
	Total	11,638,948	1,777,001	-	13,415,949	-	
	Written Down Value	-	-	-	1,944,674	-	

NOTES TO FINANCIAL STATEMENTS

Note	2016 Rs.	2015 Rs.
(10) Capital Work in Progress	281,217,671	172,365,244
Katunayaka Head Office	280,325,671	172,278,334
CAASL Web Site		86,910
Domestic Airport- Bandarawela	577,000	-
Domestic Airport- Putlam	315,000	-
(11) Trade Receivables	116,299,047	242,091,717
OSS & Embarkation Service Charge Income Receivable	93,797,484	241,869,191
Other Debtors	22,501,563	222,526
(12) Staff Loan	39,904,738	46,112,586
Staff Loans	66,268,933	70,445,908
Deferred Staff Cost (Loans)	(26,364,195)	(24,333,322)
(13) Financial Assets	1,694,555,305	1,582,300,523
Fixed Deposits	-	301,123
Treasury Bills	1,694,555,305	1,581,999,400
(14) Advances, Prepayments and Other Receivables	93,426,423	102,402,377
Advances	1,429,805	1,285,550
Prepayments	4,115,984	10,651,525
VAT Receivable	59,504,356	65,340,654
Interest Income Receivable	2,012,084	791,326
Prepaid Staff Cost	26,364,194	24,333,322

NOTES TO FINANCIAL STATEMENTS

Note	2016 Rs.	2015 Rs.
(15) Cash and Cash Equivalents	1,209,653,318	829,000,040
Cash at Bank		
Current Account : 0002026666	51,067,213	82,779,658
Current Account : 0002026678	670,586,105	396,220,382
Call Deposits	488,000,000	350,000,000
(16) Grants Received	50,347,959	29,170,677
Land	49,774,500	27,724,508
Buildings	1,257,473	1,802,378
Plant , Machinery & Equipment	147,795	147,794
Furniture & Fittings	18,113	18,113
Other Fixed Assets	22,787	22,787
Total	51,220,669	29,715,580
Amortization for the year	(872,710)	(544,903)
Balance at the end of the year	50,347,959	29,170,677
(17) Revaluation Surplus	7,000,418	29,050,410
Land	-	22,049,992
Plant, Machinery and Equipment	2,636,245	2,636,245
Furniture and Fittings	4,364,173	4,364,173
(18) General Reserve	1,150,000,000	1,150,000,000
Balance at the beginning of the year	1,150,000,000	1,200,000,000
Transfers during the year	-	(50,000,000)

NOTES TO FINANCIAL STATEMENTS

Note	2016 Rs.	2015 Rs.
(19) Deferred Tax Liabilities	14,076,078	11,330,044
Balance at the beginning of the year	11,330,044	8,197,697
Reversal for the year	2,746,034	3,132,347
Balance at the end of the year	14,076,078	11,330,044
(20) Deferred Interest Income	30,804,275	28,805,992
Balance at the beginning of the year	28,805,992	
Transfers during the year	1,998,283	28,805,992
(21) Provisions and Other Liabilities	26,476,006	265,927,756
Staff welfare fund	301,123	301,123
Provision for Accident Investigation Fund	-	250,000,000
Deposits Received	26,174,883	15,626,633
(22) Retirement Benefits Obligation	7,356,896	8,069,167
Balance at the beginning of the year	8,069,167	12,479,380
Provision for the year	604,470	(4,307,213)
Paid during the year	(1,316,740)	(103,000)
Balance at the end of the year	7,356,896	8,069,167
(23) Trade Payables	966,442,757	723,166,052
Deposit Inspection Charges and Operation Payable to AASL, Tourism Development Authority and Government Treasury	2,735,782	5,311,769
Other Creditors	948,586,104	711,220,381
	15,120,871	6,633,902

NOTES TO FINANCIAL STATEMENTS

Note	2016 Rs.	2015 Rs.
(24) Other Payables	20,344,855	15,086,796
Accrued Expenses		
- Staff Expenses	14,571,426	10,008,668
Training	49,000	-
- General Expenses	5,724,429	5,078,128
(25) Income Tax Liabilities	120,957,108	170,847,196
Balance at the beginning of the year	170,847,196	176,812,769
Provision for the year	343,734,024	340,052,276
VAT Refund	(21,676,129)	(5,057,598)
Paid during the year	(371,947,982)	(340,960,252)
Balance at the end of the year	120,957,108	170,847,196



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } AVA/B/CAASL/FA/2016
எனது இல. }
My No. }

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உமது இல. }
Your No. }

දිනය } 27 July 2017
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 2016 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Civil Aviation Authority of Sri Lanka for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of profit and loss, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 14(4) of 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 issued to the Chairman of the Authority on 12 July 2017.

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 Auditing Standards of Supreme Audit Institutions

AUDITOR GENERAL'S REPORT

(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.

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 to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, 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 2016 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

Instead of valuation and accounting for the market value of two motor vehicles transferred on 16 July 2014 to the Authority by the United Nations Development Programme, only the import duty of Rs.282,448 had only been debited to the Motor Vehicles Account. As such, assets had been understated as at the end of the year under review.

2.3 Accounts Receivable

The Input Value Added Tax pertaining to purchases, receivable by the Authority as at 31 December 2016 amounted to Rs.59,504,356. Even though discussions were held with the Department of Inland Revenue on the recovery of this amount, a final conclusion had not been reached up to date and as such, the recovery of that money was uncertain.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
(a) Civil Aviation Authority Act, No.34 of 2002 Section 9	The Minister may by Order published in the Gazette, transfer to and vest in the Authority the Aerodromes specified in the Second Schedule and the aeronautical facilities and the land appertaining thereto specified in the Third Schedule. Nevertheless, action had not been taken even by 31 December 2016 to

identify and transfer the items specified in the Schedule which should be so transferred and vested.

(b) Section 11.2.6 of the Staff Rules and Administrative Procedure of the Authority.

Subject matters and uses gained by participating in an international conference, meetings, a workshop or training should be explained within 30 days after returning, by the officer who participated representing the Authority to all officers individually or collectively, who deal with such subject matters and a report thereon should be kept with that officer. Nevertheless, the Authority had not followed that procedure.

(c) Public Enterprises Circular No. PED/12 of 02 June 2003 Section 4.2.5

Even though an age analysis report on items receivable to and payable by the Authority should be furnished monthly to the Board of Directors, those reports had not been furnished.

2.5 Transactions not supported by Adequate Authority

According to the decision taken at the meeting of the Cabinet of Ministers held on 10 February 2016, the approval had been given to incur expenditure from the Fund of the Authority subject to a maximum of Rs.20 million as a cost on hosting the Fifty Third Conference of the Directors General of Civil Aviation of the Asia Pacific Region. However, an amount of Rs.2.3 million exceeding the approved amount had been incurred from the Fund of the Authority.

3. Financial Review

3.1 Financial Results

The operations of the Authority for the year under review had resulted in a surplus of Rs.881 million as compared with the corresponding surplus of Rs.871 million for the preceding year, thus indicating an improvement of Rs.10 million in the financial result of the year under review as compared with the preceding year. Even though the expenditure on staff, administration and other, had increased by Rs.63 million, the increase in the income from operating and non-operating activities by Rs.81 million had impacted the above improvement in the financial result.

An analysis of the financial results of the year under review and 4 preceding years, revealed that the surplus of Rs.523.4 million in the year 2012 had continuously improved to Rs.881.1 million in the year 2016. After readjusting the employees remuneration, tax paid to the Government and the depreciation on non-current assets to the surplus of the Authority, the contribution amounting to Rs.792.8 million in the year 2012 had increased continuously to Rs.1,493.4 million in the year 2016.

3.2 Analytical Financial Review

The following observations are made.

(a) The total income of the year 2016 amounted to Rs.1,660 million and that indicated an improvement of Rs.81 million or 5 per cent as compared with the year 2015. Out of the total income, a sum of Rs.1,233 million or 74 per cent had been contributed from the Foreign Sales Surcharge generated without a direct attempt.

(b) Material Ratios and Percentages for the year under review and the preceding year are given below.

	2016	2015
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Net Profit to Turnover Ratio	53%	55%
Employees Cost to Turnover	14%	12%
Current Ratio	2.8:1	3.1:1

Even though the employees cost to turnover had decreased in the year 2013 as compared with the year 2012, it was observed that it had gradually increased from the year 2014 to the end of the year under review.

4. Operating Review

4.1 Performance

According to the Civil Aviation Authority of Sri Lanka Act, No.34 of 2002, the objectives of the Authority had been to achieve or exceed safety and security outcome targets, to be appropriately resourced, to be professional and competent, to attain wide credibility and recognition, to sustain or enhance its achievements, to achieve the highest level of productivity in everything being done, to maintain high degree of compliance with the International Standards and Recommended Practices and to be a strong facilitator for planning and development of civil aviation.

The following observations are made.

(a) The following functions included in the functions and duties stated in the Civil Aviation Authority of Sri Lanka Act, No. 34 of 2002 had not been performed during the period of the year under review.

- (i) As the Authority should assist the Minister in the formulation of the National Aviation Policy of Sri Lanka, the Authority had initiated preliminary activities several years ago for the formulation of a National Aviation Policy. However, it was at the Draft level even by 31 December 2016.
- (ii) The Authority was unable to prepare an Aviation Development Plan for Sri Lanka due to the delay in formulation of the National Aviation Policy.

(b) Performance of the Aviation Security Section

According to the approved cadre of the Authority, there should be 8 officers including the Director in the Aviation Security Division, comprising the Director, 2 Senior Civil Aviation Inspectors and 5 Civil Aviation Inspectors.

Out of the aforesaid posts, only one Senior Civil Aviation Inspector and one Civil Aviation Inspector had been employed in the service as at 31 December 2016. Even though 4 trainee Aviation Inspectors had been recruited in the year under review, an annual training period should be given for absorbing them to the permanent service. As such, functions which should be performed by 07 officers, had been practically performed by 02 officers. The following observations are made in respect of the Progress of Surveillances in the year under review and 4 preceding years.

- (i) Even though it had been mentioned in the Annual Investigation Plan that the number of inspections which should be carried out for the years 2015 and 2016 in the Bandaranaike International Airport by the Aviation Security Section stood at 26 and 31 respectively, number of actual inspections carried out stood at 18 and 24 respectively.
- (ii) Even though it had been planned to carry out 4 Tests per year from the year 2013 to the year 2016 relating to Tests, only one out of those Tests had been carried out during the relevant years.
- (iii) Even though it had been planned to carry out 06 and 04 Internal Operating Inspections and Night Inspections respectively in the year 2014, out of them, only 2 Tests each had been actually carried out. After the year 2014, relevant Tests had not been planned.
- (iv) Number of inspections planned to be carried out in the Maththala Mahinda Rajapaksha International Airport in the years 2015 and 2016 stood at 12 and 4 respectively and the number of actual inspections carried out stood at 6 and 1, thus, indicating a decrease in the number of planned and actual inspections in the year 2016 as compared with the year 2015.



(c) Performance of the Air Navigation Services Section

In the examination of planning of surveillance and achievement of those plans from the year 2012 to the year 2016 in this Section, it was observed that planning and implementation had been made so as to reduce the Aeronautical Information Service Inspections (AIS) gradually during the period from the year 2014 to the year 2016.

(d) Performance of the Aerodrome Section

According to surveillances carried out in the year under review and 4 preceding years, a total number of 36 surveillances comprising 24, 06 and 06 should be carried out in the Katunayake, Maththala and Ratmalana Airports during the year 2016. Nevertheless, 20, 05 and 04 surveillances had been carried out in the Katunayake, Maththala and Ratmalana Airports respectively in the year 2016, thus indicating a decrease in surveillances actually carried out in the year 2016.

(e) Performance of the Airworthiness Section

The following observations are made.

- (i) Out of 215 inspections planned in the year 2016 to ensure the airworthiness, 42 inspections or 19 per cent could not be carried out.
- (ii) In considering the period from the year 2014 to the year 2016, a decrease in the planning and implementation of inspections carried out by the Airworthiness Section of the Authority, was observed due to review of the Policy on carrying out air inspections.

(f) Performance of the Main Operations Section

According to the information made available to Audit, it was observed during the course of the study on the performance of the Main Operations Section of the Authority in the year under review and four preceding years that the arrivals of airplanes to Sri Lanka and air operations had gradually increased

from year to year. However, there was no improvement in the progress of inspections relating to the Civil Aviation Regulation.

4.2 Management Activities

The following observations are made.

- (a) Even though the Authority had expected to obtain a sum of Rs.13 million from sponsors for the Fifty Third Conference of the Directors General of Civil Aviation of the Asia Pacific Region, only a sum of Rs.9 million had been received. Accordingly, action had not been taken up to 31 December 2016 to obtain a sum of Rs.4 million from sponsors to the Authority.
- (b) Even though the Sri Lanka Air Force had informed the Authority that the construction of the Batticaloa Airport which was expected to be completed and used for domestic air travel in the year 2016 had been completed on 24 June 2016 and can be made use of for air travel, necessary action had not been taken to open it and commence the air travels even by March 2017. Further, the expenditure of Rs.18,973,363 incurred up to 31 December of the year under review by the Authority for construction thereof, had not been reimbursed by the Ministry of Transport and Civil Aviation.
- (c) According to the Finance Act, No.25 of 2003, the Director General had the authority to determine the rate of exchange of the Dollar subject to the approval of the Treasury. Even though the annual average rate of exchange per Dollar for the years 2015 and 2016 had been Rs.135.18 and Rs.145.93 respectively, it had been computed as Rs.130 and Rs.140 per Dollar respectively in the charge of Embarkation Levy. As such, the income pertaining to 2,524,216 air tickets on which the Embarkation Levy had been paid from April to December 2016, had been under computed by Rs.446,886,322. Further, final determination on the rate of exchange relating to the charge of Embarkation Levy had been taken on 26 October 2015 and that amounted to Rs.140 per Dollar. Action had not been taken thereafter to change the rate of exchange.

- (d) According to the Order issued in terms of Section 2(1) of Part I of the Finance Act, No.25 of 2003, the value recommended by the Minister of Finance as the Embarkation Levy to be charged for January and February 2017 was US\$ 50 per ticket and a sum of Rs.140 had been charged as the Rupee value per Dollar. However, average rate of exchange for January and February 2017 had been Rs.150.45. In the charge of the Embarkation Levy, the market rate of exchange had not been made use of and as such, the Levy charged on a ticket in January and February had been under computed by Rs.522. As such, the value of under collection of the Levy from 658,452 air tickets itself, sold during 2 relevant months amounted to approximately Rs.272,732,919.
- (e) According to Section 20 of the Lease Agreement No.420 of 10 February 2011 relating to the Head Office Building, it had been stated that the initial agreement was valid for a period of two years. Further, it had been stated that in case the lessee wishes to extend the Agreement for two more years, the agreement should be renewed. Even though 6 years had elapsed after signing the initial agreement, action had not been taken to renew the relevant agreement even by the end of the year under review.
- (f) According to the State Safety Report issued by the International Civil Aviation Organization (ICAO) in the year 2010, Sri Lanka received nineteenth place from among 191 countries. However, it had been proposed that the safety audit carried out by the International Civil Aviation Organization targeting the member countries to be carried out for Sri Lanka from 04 to 14 June 2018.

4.3 Operating Activities

The following observations are made.

- (a) The International Civil Aviation Organization (ICAO) had recommended at the audit carried out in the year 2010 to rectify 80 weaknesses which should be rectified relating to each Section of the Authority. The final conclusions relating to 3 out of 7 major weaknesses, that is, to signing an agreement with the countries of the Region, entering into a proper legal agreement with the Department of

Meteorology, the Airport and the Aviation Services Company and the Establishment of a qualitative methodology by the Organizations which provide weather data had not been reached even by the end of the year under review.

- (b) Even though 13 Sections covering all operating activities of the Authority had been identified and corresponding Key Performance Indicators had been introduced, Performance Reports had not been prepared in conformity therewith.

4.4 Transactions of Contentious Nature

In terms of the Letter No. DMS/1748 of 09 April 2015 of the Department of Management Services, the Commercial Pilot License (Fixed Wing/Rotary Wing) is required to obtain Technical Allowances relating to three officers who serve in the post of Director of Air Navigation. Nevertheless, a total sum of Rs.7,080,000 comprising Rs.235,000, Rs.130,000 and Rs.225,000 per month had been paid as Technical Allowances for 12 months during the year 2016 to the Air Traffic Controller License holders without the Commercial Pilot License.

4.5 Contract Procedure

The construction of the Head Office Building at an estimated cost of Rs.803,369,988 had been commenced in December 2015 and a physical progress and financial progress of 76 per cent and Rs.610,561,191 respectively had been expected by 31 December 2016. Nevertheless, the physical progress and the financial progress had only been 38 per cent and Rs.305,280,595 by that date and as such, the expected level had not been reached. Moreover, it had been revealed that construction works of this building which was scheduled to be completed on 13 June 2017 are being carried out by the contractor in a sluggish manner. The relevant contract period had been extended by 3 ½ months up to 30 September 2017 at the request of the contractor and according to the Cabinet Memorandum No. CM/17/1019/709/041 of 7 June 2017. As such, a sum of Rs.13,045,851 would be paid as an additional rent at the rate of Rs.3,727,386 per month relating to that period for the building which is used by the Authority at present. It was observed in audit that this amount is an additional cost which is to be incurred by the Authority due to delay in construction.

4.6 Resources of the Authority given to other Government Institutions

Three printers and 3 computers valued at Rs.324,000 belonging to the Authority had been given to the Line Ministry in the year 2011.

4.7 Staff Administration

There were 10 vacancies comprising 02 posts at the Senior Executive Level and 08 posts at the Executive Level in the staff of the Authority over a number of years. Ten retired officers had been recruited and deployed in the service on contract basis instead of filling above vacancies by giving promotions to the officers in the staff or by new recruitments to the Authority. A total sum of Rs.30,857,888 had been paid to them as salaries and allowances for the year 2016. Even though action had been taken to fill vacancies by extending the service period of these officers from year to year, action had not been taken to recruit officers on permanent basis and to place the officers in relevant posts through trainings given by the Authority itself. It is the audit point of view that this situation would have an adverse impact on the going concern of the Authority.

5. Good Governance and Accountability

5.1 Budgetary Control

Significant variances ranging from 36 per cent to 64 per cent were observed between the estimated and the actual income and expenditure thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

Areas of Systems and Controls

Observations

(a) Fixed Assets Control	Failure in revaluation and updating the Register of Computers.
(b) Budgetary Control	Existence of variances of high level.
(c) Staff Administration	Making recruitment on contract basis without recruiting on permanent basis.
(d) Accounting	Failure in fulfilling the requirements of Accounting Standards.

Sgd / H. M. GAMINI WIJESINGHE
Auditor General

H. M. Gamini Wijesinghe
Auditor General

REPLY TO THE AUDITOR GENERAL'S

AUDITOR GENERAL AUDITOR GENERAL'S DEPARTMENT BATTARAMULLA

Report of the Auditor General in terms of the Section 14 (2) (c) of the Finance Act No. 38 of 1971 on the Financial Statements of the Sri Lanka Civil Aviation Authority for the year ended on 31st December 2016

With reference to your report bearing No. AVA/B/CAASL/FA/2016 dated 27.07.27 on the above matter.

The opinions of this Authority on the facts mentioned in the referred audit query are mentioned below.

2.2.1. Accounting Deficiencies

Agreed with your observation. Even though the Department of Motor Traffic and the Department of Valuation were informed to appoint an officer to value those two vehicles and several reminders were referred

to those Departments in this regard, no responses have yet been received. Continuous following up activities are being carried out and action is being taken to finalize this task as soon as possible and this has been mentioned in the final accounts using a note.

2.3 Accounts Receivable

Agreed with your observation. However, necessary arrangements are being made by the Inland Revenue Department in relation to the provision of this amount and following up activities are being carried out by this Institution. There is no uncertainty in receiving this amount.

2.4 Noncompliance with Laws, Rules, Regulations and Management Decisions

a) Section 9 of the Civil Aviation Authority Act No. 34 of 2002	Even though Aero Nautical facilities and adjoining Lands related to the provision of such facilities mentioned in the 2nd schedule of the Section 9 stipulated in the Civil Aviation Authority Act No. 34 of 2002 can be vested to the Civil Aviation Authority, such vesting should be done by the Honourable Minister as per the Policies of the Government. Accordingly, it has already been decided to vest only the Batticaloa Airport to the Civil Aviation Authority.
(d) As per Section 11.2.6 of the Manual on the Staffing and Administration Rules of the Authority.	Agreed with your Observation. A formal report is submitted by the relevant Officer on the subject matters collected by participating in the International Conferences, meetings, workshops or trainings. Further, the document related to the conference, meeting, workshop or training is forwarded to the Technical Library of the Authority. In addition, the matters discussed and the knowledge gathered is shared among the Head of the Division and the other Executive Officers. However, a written report on the knowledge gathered and matters that were exchanged had not been maintained in this regard. It was noted down to obtain written notes on such occasions and to file them hereinafter.

<p>(e) Public Enterprises Circular No. PED/12 dated 02nd June 2003</p> <p>(i) Section 4.2.5</p>	<p>Agreed with your Observation</p> <p>Noted down to submit such reports in the future.</p>
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2.5 Transactions which were not substantiated with Adequate Authority

Agreed with your observation.

Please refer the annexure. An amount of Rs.1,861,217.65 has been stated in the Financial Statements under the Vote allocated for the Conference as the expenditure incurred for the 53rd Conference of the Director Generals of Civil Aviation in the Asian Pacific Region in the year 2016 and an amount of Rs. 18,411,414.75 has been mentioned under the Vote as the expenditure incurred in the year 2016. Accordingly, the total amount directly incurred for the Conference is Rs. 20,272,632.40. Thereby, an amount of Rs. 272,632.40 had been over utilized than the estimated amount of Rs. 20 Million.

The amount of money spent on the Officers in the Civil Aviation Authority participated in the organization of this Conference had been estimated under "Organizational events" and the relevant expenditure had been mentioned under that heading in the Financial Statements. The amount of money incurred on over time and telephone calls had been recorded under each Vote since the amount spent on the Board of Organizers is not a direct amount spent on activities related to the Conference.

Further, the expenditure incurred on the promotional activities of Aviation Services conducted in concurrence

with this conference was estimated under "Aviation Development" and the relevant expenditure had been indicated under the Vote. The expenditure incurred under the promotion of the Aviation Field is the issuance of one volume of "Guwansara" Magazine in concurrence with the Conference and the conduct of NGAP (Next Generation of Aviation Professionals), Aviation Promotional Programmes. The Authority commenced the issuance of "Guwansara" magazine in the year 2009 and 15 volumes of the Magazine have been already issued. It was scheduled to issue 04 volumes in the year 2016 and 03 volumes were issued. One volume was issued in concurrence with the Conference in order give some worth to the task of issuing the magazine through the Conference.

NGAP Project was launched by the International Civil Aviation Organization in the year 2009 and the execution of this Project locally was initially undertaken by the "CADEC" Project. Steps were taken to further extend the activities under the "NGAP" heading by giving a new interpretation in concurrence with the Conference and the effort taken by Sri Lanka in that connection was greatly admired at the Conference. Even though activities were conducted in concurrence with the Conference, they are not coming under the direct scope of the Conference.

Capital Goods purchased in

concurrence with the Conference were provided to Divisions which requested such goods earlier and they have been recorded in accounts under the assets of the Authority.

3. Financial Review

3.1 Financial Outcome

Agreed with the analysis made by you.

3.2 Analytical Financial Review

Agreed with the analysis made by you.

4. Operational Review

4.1 Performance

(a)

- (i) Agreed with your observation. However, opinions of the relevant parties have already been obtained and the final Draft will be submitted for the approval of the Cabinet of Ministers in the future.
- (ii) Agreed with your observation. The Aviation Development Plan should be designed in compliance with the National Policy. Action will be taken immediately after the National Policy is approval.

(b) Performance of the Aviation Security Division

Data on the number of employees is accurate.

- (i) Agreed with your observation. The reason is the scarcity of the trained Inspectors. It is noted down to take necessary action in order to resolve the condition.
- (ii) Agreed with your observation. The reason is the scarcity in the trained Inspectors. It is noted down to take necessary action in order to resolve the condition.

(iii) Agreed with your observation. The reason is the scarcity in the trained Inspectors. It is noted down to take necessary action in order to resolve the condition.

(iv) Agreed with your observation. The reason for the decline in the number of inspections that should be conducted in the Mattala Rajapakse International Airport in the year 2016 in comparison to the inspections conducted in the year 2015, was the remarkable decline in aircraft operations carried out at the Airport and the Airport and Aviation (Sri Lanka) Limited has not yet finalized the resolution of the weaknesses.

(c) Performance of Air Navigation Division

Agreed with your observation. However, it was observed that the scheduled inspections carried out for the Mattala Airport have been gradually declined due to the reduction in the active operations performed in the Airport. Further, the inspection activities of the Aero Nautical Information Service Office have been reduced as the activities of the Office established in the Mattala International Airport were assigned to the Katunayake Office by the Airport Operator.

(d) Performance of Aerodrome Division

Agreed with your observation.

However, it was noted down to implement a systematic monitoring plan to confirm the proper execution of the investigation plan.

(e) Performance of the Airworthiness Division

- (i) Agreed with your observation. These inspections have been planned in the year 2016 as Ramp Inspections before the

commencement of flying after the completion of aircraft maintenance activities. Some inspections have been conducted during the maintenance activities as it was believed that it is appropriate to carry out this inspection while performing maintenance activities. Such inspections had not been included in this computation.

- (ii) Agreed with your observation. Most of the aforementioned Aerodrome inspections had been carried out during the years 2013-2014, the limited time period that the aircrafts had been stopped in the airport hangers and the policy of conducting aircraft inspections has been reviewed and revised by paying a greater attention to conduct inspections at the Air operator stations since it is difficult to obtain a proper understanding of the airworthiness and the operation of an aircraft through such inspections. Thereby, number of inspections carried out in the aircraft hangers has reduced in the years 2015-2016.

(e) Performance of the Main Operations Division

Ramp Inspection

Agreed with your observation. FS001, the new process of inspection newly introduced in the year 2013 was the base for the data submitted. Therefore, it had been mentioned as 0 in the year 2013. Trainings (OJT) had to be carried out for the implementation of the Process of FS001 and as a result, the highest frequency in the inspections had been reported within the year of its introduction. The reason for the reduction in the value within a year is the inclination towards the other

aspects after receiving Inspectors.

Dangerous Goods

Agreed with your observation. (You are kindly informed that the data on the number of inspections carried out on the dangerous goods have been mentioned on the corresponding column of flying schools in your note.)

Since the Posts of trained Air Transport Inspectors of dangerous goods were not remained vacant, it was possible to conduct 14 inspections relevant to the year 2012. The frequency of inspections carried out in the year 2013 was reduced by 08 as the Post remained vacant in the year as the Officer in this Post got a promotion with effect from 15 May 2013. The Officer promoted had carried out a considerable number (09) of inspections during the year 2014 too since there were no trained officers on the relevant subject in the Operations Division. An Officer in relation to the Subject had been recruited at the end of the year 2015 and inspections were being carried out after the fundamental trainings conducted at the beginning of the year 2016.

Station Operations

Agreed with your observation. Safety Overview Inspections conducted locally have been improved and conducted systematically in comparison to the inspections conducted in foreign countries. Even though Station Operations carried out in foreign countries are maintained in a minimum level, the standards of such stations were examined through the management processes such as inspection activities and checking documents.

Flying Schools

Adequate number of inspections had been carried out in relation to the flying Schools.

However, it was noted down to implement a systematic monitoring plan to confirm the proper execution of the investigation plan.

4.2 Management Inefficiencies

- (a) Not agreed with your observation. Even though the Authority anticipated obtaining an amount of Rs.13 million from the sponsors, we could only obtain a sum of Rs.9 million from the institutions. Since the Civil Aviation Authority is the regulator of the commercial business undertakings engaged in the Aviation Industry, obtaining local sponsorship from such institutions had to be carried out subjected to a certain limitation avoiding the hindrance to the major objective of carrying out regulatory activities. The institution was capable of obtaining the maximum contribution subjected to the set limitation.

Further, benefits have to be offered to the sponsors to suit their sponsorship during the Conference in obtaining the sponsorship. The official time period allocated for the Conference had to be utilized to the maximum level for the official subject matters. Since it was known that the opportunity to provide benefits to the sponsors is limited by that, we had to limit additional foreign sponsors. (Eg: Sponsors of the Lunch or Dinner will request a minimum of half an hour for a publicizing programme to promote their business activities. Thereby, the time period allocated for official matters at the Conference has to be reduced)

- (b) Agreed with your observation. It was required to make arrangements to directly enter the area which

is allocated for the Civil Aviation Services by clearly demarcating the area allocated for the Civil Aviation Activities and the area that is under the Sri Lanka Air Force in order to utilize the Batticaloa Airport for Civil Aviation Activities. Action has been taken to obtain the assistance of the Sri Lanka Air Force for this purpose, as per the approval of the Cabinet of Ministers.

It is expected to open the Airport for Civil Aviation activities within the next month.

- (c)/(d) Not agreed with your observation. The Authority performs the function of collecting the Embarkation Levy and distributing the levy to the relevant institutions with effect from 01st September 2003 in terms of the Finance Act No. 25 of 2003.

Embarkation levy equal to 15 dollars was charged from a passenger who departed from the Airport at the Airport prior to the year 2003 and this amount has been included in the Air Ticket with effect from 01st September 2003. The General Treasury has already approved the consideration of the value of a Dollar in Rupees as Rs.100.

Since the power of determining the exchange value of a Dollar in terms of the Act has been entrusted upon the Director General subjected to the approval of the General Treasury, the Director General has enquired from the Deputy Secretary of the General Treasury from time to time with effect from the year 2004 whether the exchange rate should be changed. Instructions had been received from the General treasury until the year 2012 to maintain the exchange rate of dollars as Rs.100 and the General Treasury had taken in to consideration the effect that would have happened to the Tourism by tax increases.

The General Treasury had determined

the value of one dollar in terms of Rupees as Rs.130 with effect from 01 January 2013 and Rs.140 with effect from 15.11.2015 by considering the recommendations of the Authority. The Authority had requested the Deputy Secretary of the General Treasury on 18.04.2016 and 20.03.2017 to reconsider the value and we have not yet received responses.

However, if the General treasury grants its approval to change the rupee value in comparison to dollars, the Authority will act accordingly.

- (e) Several discussion sessions were held to renew the Lease Agreement and it is not possible to agree with the rental that the owner requested. A delay has taken place due to the fact that the rental is above the Government Assessed amount and the agreement that should be prepared by the owner had not yet been submitted to us. The Authority had continuously sent reminders to the owner asking him to make arrangements to enter in to the Agreement as mentioned in the first agreement. However, the Authority at present pays a rental less than the government assessed amount to the owner. The rental is paid in the following month after the utilization of the facility. Further, it is not required to pay the deposit by the Authority to the owner as there is no agreement operated at present.

- (f) Agreed with your observation.

4.3 Operational Inefficiencies

These three Audit Observations are applicable to the Air Navigation Services Division and these deficiencies cannot be rectified solely by the Civil Aviation Authority. Several neighbouring nations should act jointly for the rectification of one deficiency. Airport and Aviation Services (Sri Lanka) Limited and Department of Meteorology should

enter in to an Agreement for the rectification of another deficiency and the Department of Meteorology should directly act for the rectification of the other observations. Noted down to intermeddle in the rectification of the three deficiencies.

- (b) Agreed with your observation. Even though all the operations have been covered, identified and prepared to benefit the Aspect 18 in the preparation of the Key Performance Indicators and Performance Reports, they had not been mentioned correspondingly. Therefore, it was noted down to submit them correspondingly in the submission of Performance Reports in the future.

4.4 Transactions of Contentious Nature

Agreed with your observations. However, the approval had been granted to pay the allowance subsequent to rectifying the anomalies existed in the approvals granted by the letter bearing No. DMS/1748 as per the recommendations of the Authority and through the letter dated 20.03.2017 of the Department of Management Services that the holders of the Air Traffic Controller License fulfil the requirement of obtaining the Technical Allowance entitled to the Posts that became the subject of the Audit Observation.

4.5 The Contract Process

Agreed with your observations. Progress Review meetings were conducted continuously at the inception of the project of constructing the Head Office and 35 meetings had been conducted by 31.12.2016. The Contractor was constantly informed to make arrangements to avoid the delay. In addition to that, the Ministry of Transport and Civil Aviation was informed of the delay. The Secretary of the Ministry of Transport and Civil

Aviation and the Director General of Civil Aviation had informed the Contractor in writing in this regard.

4.6 Resources provided to the other Public Institutions

The Line Ministry has been requested to return these assets.

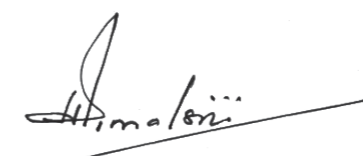
4.7 Administration of the Staff

There were 11 Posts in the Senior Executive Level (HM 1-1) and 30 posts in the Executive Level (MM-1-1) in Authority in accordance with the Approved Cadre of the Authority by 1st January 2016.

The following vacancies existed in the Senior Executive Level (HM 1-1) and in the Executive Level (MM 1-1) in the Authority as at 1st January 2016.

Designation	Number of Post
Senior Executive Officer	4
Executive Officer	18

Even though action had been taken to recruit suitable persons by publishing newspaper advertisements from time to time



.....
H.M.C. Nimal Siri
 Director General of Civil Aviation &
 Chief Executive Officer

Civil Aviation Authority of Sri Lanka
28th February 2017

to fill vacancies that existed in the Senior Executive Level and Executive Level, Contract agreements of 10 retired, experienced, eligible and trained personnel existed at that period were extended and made effective until 31.03.2017 on the approval of the Cabinet of Ministers as there were no persons with required qualifications and experience. Most of the aforementioned vacancies could be filled due to the allowances offered with the approval of the Ministry of Finance during the year and accordingly, only 2 Posts in the Senior Executive Level and 8 Posts in the Executive level remained vacant by 31.12.2016.

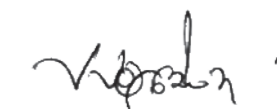
5. Accountability and Good Governance

5.1 Budgetary Control

Noted down to pay attention to this matter in the future and to minimize the budget deficit as much as possible.

6. Systems and Controls

Noted down to pay special attention to the deficiencies in the fields of the systems and controls that had been pointed out by you.



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Ananda Wimalasene
 Chairman



Safe and Efficient Skies for all

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