

Reward and Incentive Fund of the Department of Motor Traffic - 2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Rewards and Incentive Fund as at 31 December 2012 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

The following observations are made.

- (a) Even though the incentives not obtained and returned amounting to Rs.507,201 and the unpaid incentives repaid amounting to Rs.280,416 should be shown separately in the cash flow statement those had been set off against each other and shown as Rs.226,795.
- (b) Even though the actual expenditure on administrative, special evaluation and sports activities amounted to Rs.221,750 , that had been shown as Rs.920,995 in the accounts, thus overstating that expenditure for the year by a sum of Rs.699,245.

1.2.2 Payments without Authority

Payments amounting to Rs.43,450 exceeding the approved annual expenditure specified in sub-paragraphs (e) and (f) of paragraph (1) of Order No. 3 published in the Gazette Extraordinary No. LDB24/51 of 05 October 2011 had been made. Details appear below.

| Particulars | Amount Approved | Amount Paid | Unauthorised Payment |
|---|--------------------|-------------|-------------------------|
| ----- | ----- | ----- | ----- |
| | Rs. | Rs. | Rs. |
| Sports, Recreational and Welfare Activities of the Staff | 50,000 | 62,500 | 12,500 |
| Commendations and Special Evaluations | 50,000 | 80,950 | 30,950 |
| | ----- | ----- | ----- |
| | 100,000 | 143,450 | 43,450 |
| | ===== | ===== | ===== |

- (b) In terms of sub-paragraph 06(d) of the Public Administration Circular No. 06/2006 of 25 April 2006, instructions on the payment of all allowances and incentives should be issued after making enquiries from the National Salaries and Cadre Commission through the Ministry of Public Administration. Nevertheless, a sum of Rs.128,146,204 had been paid to the officers during the year under review without taking such action and without an approved budget.

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

The following non-compliances were observed.

| Reference to Laws, Rules and Regulations | Non-compliances |
|--|---|
| ----- | ----- |
| (a) Public Administration Circular No. 17/2001 of 10 July 2001 | Contrary to the provisions in the circular, action had been taken to deploy an officer who had retired on reaching 60 years of age on contract basis as the financial controller of the Fund with effect from December 2012 and pay a monthly |

- allowance of Rs.35,000.
- (b) Section 114 of the Inland Revenue Act, No. 10 of 2006
- The incentive allowance paid to each officer in the year 2012 out of the sum of Rs.128,146,204 had not been taken into accounts for the computation of the Pay As You Earn Tax payable.
- (c) Public Finance Circular No. PF/423 of 22 December 2006
- Paragraph 3.2 (b)
- The Fund had not taken action to credit promptly to the Consolidated Fund the surplus cash remaining after the settlement of payables and the other liabilities and the investments made in external institutions upon maturity to the Consolidated Fund immediately on maturity.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the operating surplus of the Fund for the year under review amounted to Rs.3,719,592 as compared with the corresponding surplus of Rs.6,386,229 for the preceding year thus indicating a decrease of Rs.2,666,637 in the financial result. The increase in the expenditure on the payment of incentive allowance as compared with the preceding year by a sum of Rs.4,850,171 or 8 per cent had been the major reason for the decrease in the surplus.

2.2 **Idle Resources**

An excess sum of Rs.46 million approximately of the Fund remained idle in a Bank Current Account for more than one month without being deposited in the Treasury Surplus Account.

3. Operating Review

3.1 Performance

Even though the major objective of the establishment of the Fund is the minimization of fabricating, manufacturing, assembling, innovating, adapting, modifying or changing the condition of motor vehicles without obtaining the required approval from the Commissioner General of Motor Traffic, detecting the persons involved in such activities and taking legal action against such persons, the Department had not executed any such action. As such it is observed that the Department had not executed any of the primary objectives and functions expected from the establishment of the Fund.

4. Accountability and Good Governance

4.1 Action Plan

The Department had not prepared an Action Plan for the Reward and Incentive Fund.

4.2 Unsettled Audit Paragraph

Even though the information on the individuals and officers who committed different types of erroneous activities relating to motor vehicles were brought to the notice of the Commissioner General of Motor Traffic through numerous audit queries including my Nos. SC/C/DMT/2010/03, SC/C/DMT/2010/04 and TH/D/RMV/06 adequate courses of action had not been taken thereon.

5. Systems and Controls

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

- (a) Budget
- (b) Accounting