

## **Reward and Incentive Fund of the Department of Motor Traffic - 2014.**

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The audit of financial statements of the Reward and Incentive Fund of the Department of Motor Traffic for the year ended 31 December 2014, comprising the statement of financial position as at 31 December 2014 and the statement of financial performance and cash flow statement for the year then ended and a summary of other explanatory information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 213 d (5) of the Motor Traffic Act, (Cap. 203) as amended by Motor Traffic (Amendment) Act, No. 8 of 2009. My comments and observations on the above financial statements appear in this report.

### **1.2 Management’s Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector 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**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Fund’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’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.

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

#### **1.4 Basis for Qualified Opinion**

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

### **2. Financial Statements**

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#### **2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Reward and Incentive Fund as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Public Sector Accounting Standards of Sri Lanka .

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

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##### **2.2.1 Accounting Deficiencies**

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Interest on Treasury Bills of the year under review had been accounted understating by Rs.3,116.

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

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The following non-compliances are observed.

Reference to Laws, Rules and Regulations	Non-compliance
(a) Public Administration Circular No.17/2001 dated 10 July 2001	Contrary to the provision of the circular, a female officer who retired after reaching the age of 60 years had been appointed on contract basis as the Financial Controller of the Fund since December 2012 and a sum totaling Rs.105,000 had been paid as allowances for the 1 <sup>st</sup> 3 months served in the year under review.
(b) Public Finance Circular No.PF/423 dated 22 December 2006	
(i) Paragraph 3 .2 (a)	Even though when the surplus cash remaining after the settlement of payables and the other liabilities and the investments upon maturity should be transferred to the Consolidated Fund immediately, action had not been so done in relation to the balance of the Fund amounting to Rs.42,722,005.
(ii) Paragraph 4.1(a)	Even though the annual budget of the Fund prepared in accordance with the objectives of the Fund should be furnished to the Director General of the National Budget before 30 September in the previous year obtaining the prior approval of the Minister, Control Authority and the Secretary to the Ministry, action had not been so done.

## **2.4 Transactions Not Supported by Adequate Authority**

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The following observations are made.

- (a) In terms of sub-paragraph 06 (d) of the Public Administration Circular No. 06/2006 dated 25 April 2006, instructions in respect of all allowances and incentives should be issued after consulting the National Salaries and Cadre Commission through the Ministry of Public Administration. Without doing so, incentives had been paid in previous years and in the year under review for the staff and the expenditure in the year under review amounted to Rs.76,995,932.
- (b) A sum totaling of Rs. 343,051 had been paid during the year under review as incentives to 4 officers who had been attached to the Ministry of Transport .

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the operating result of the Fund for the year under review amounted to a surplus of Rs.7,225,948 as compared with the corresponding surplus of Rs.4,799,765 for the preceding year, thus indicating an improvement of Rs.2,426,183 in the financial results of the year under review. The increase of the charges under the Motor Traffic Act, the income of 1 per cent charged from taxes and surcharges by Rs.18,223,888 of the year under review had been the major reasons for the improvement.

## **4. Operating Review**

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### **4.1 Performance**

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The following observations are made.

- (a) Even though one of the major objectives of the establishment of the Fund is to award of rewards to the informers who supply information on the illegal activities such as

fabricating, manufacturing, assembling, innovating, adapting, modifying or changing the condition of the motor vehicles without obtaining the prior approval from the Commissioner General of the Motor Traffic , the Fund had not taken action to formulate a methodology to obtain such information and award of rewards to the persons who supply such information even as at the end of the year under review.

- (b) Even though expected purpose of the establishment of the Reward Fund is the creating persons who supply information about the persons who are involved in wrongful acts relating to motor vehicles, encouraging them to supply such information, encourage the officers to take legal actions against the persons who involve such wrongful acts, information of any activity done by the Department which encourage the persons and officers who supply such information had not been revealed in audit.

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

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### **5.1 Action Plan**

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

### **5.2 Budgetary Control**

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Variances from 26 per cent to 34 per cent were observed between the budgeted income and expenditure as compared with the actual income and expenditure of 06 income and expenditure variables of the Fund ,thus indicating that the budget had not been made use of as an effective instrument of management control.

6. **Systems and Controls**

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

- (a) Budget
- (b) Accounting