

Head 114 – Report of the Auditor General on Ministry of Transport and the Departments under the Ministry – Year 2012

This report comprises two Parts.

Part 1 – Summary Report on the Accounts of the Ministry and the Departments under the Ministry.

Part 2 – Detailed Report on each Head.

Part 1

The Summary Report on the Accounts of the Ministry of Transport and the Departments under the Ministry.

1. Departments under the Ministry

Head	Name of Department
306	Department of Sri Lanka Railways
307	Department of Motor Traffic

2. Accounts

2.1 Appropriation Accounts

Total Net Provision and Expenditure

The total net provision made for the Ministry and the two Departments under the Ministry amounted to Rs.56,659,000,000 and out of that a sum of Rs. 47,853,971,203 had been utilized by the end of the year under review. Accordingly the savings out of the net provision of the Ministry and each Department ranged between Rs.138,090,867 and Rs.5,713,887,082 and ranged between 5.14 per cent to 47.17 per cent of the total net provision. Details appear below.

Head	Ministry/ Department	Net provision as at 31 December 2012		Utilization as at 31 December 2012		Saving as at 31 December 2012	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
114	Ministry of Transport	5,705,810,000	6,406,100,000	5,667,471,138	730,551,780	38,338,862	5,675,548,220
306	Department of Sri Lanka Railways	9,012,790,000	32,847,800,000	8,647,655,193	30,259,883,959	365,134,807	2,587,916,041
307	Department of Motor Traffic	1,553,300,000	1,133,200,000	1,528,893,206	1,019,515,927	24,406,794	113,684,073
	Total	16,271,900,000	40,387,100,000	15,844,019,537	32,009,951,666	427,880,463	8,377,148,334

2.2 Revenue Accounts

Estimated and Actual Revenue

Two Departments under the Ministry had estimated Revenue amounting to Rs. 12,199 million for the year 2012 under 04 Revenue Codes and Revenue amounting to Rs.12,722 million which exceeded the Revenue estimated by a sum of Rs. 523 million had been collected. Accordingly, revenue exceeding the estimate by 4 per cent had been collected. Details appear below.

Revenue counting officer	Revenue code	Estimated	Actual	Estimated over Income	Estimated over income percentage
		රු.	රු.	රු.	%.
General Manager	20:01:01:00	4,497,000,000	4,851,876,013	354,876,013	08
Departments of Sri Lanka					
Railways					
Commissioner General of					
Department of Motor Traffic	20:03:02:14	7,702,400,000	7,870,314,096	167,914,096	02
	10:03:07:04				
	10:03:01:00				
		12,199,400,000	12,722,190,109	522,790,109	

2.3 Advance Accounts

2.3.1 Advances to Public Officers Accounts

Limits Authorized by Parliament

The following limits authorized by the Parliament for the Advances to Public Officers Accounts of the Ministry and the two Departments under the Ministry had been complied with. Details appear below.

Head	Item	Expenditure		Receipts		Debit Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Number	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
114	11401	9,000,000	5,654,852	3,800,000	4,632,732	39,000,000	22,211,216
306	30601	530,000,000	238,792,923	325,000,000	457,277,673	1,993,000,000	753,725,047

307 30701 18,000,000 17,863,842 15,000,000 17,533,353 100,000,000 81,547,823

2.3.2 Stores Advance Accounts

 The Department of Sri Lanka Railways under the Ministry head maintained a Stores Advance Account.

(a) Limits Authorized by Parliament

 The following limits authorized by the Parliament for one Stores Advance Account had been complied with. Details appear below.

Head	Item Number	Expenditure		Receipts		Debit Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
306	30602	1,700,000,000	1,632,141,769	1,200,000,000	1,215,103,213	5,311,000,000	4,969,620,204

2.4 General Deposit Accounts

 The Balance of the General Deposit Account of the Department of Motor Traffic under the Ministry as at 31 December 2012 amounted to Rs. 422,544,996.

Part 2

Detailed Report on each Head.

1. Head 114 – Ministry of Transport

1.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Transport for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 23 October 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts and the Reconciliation Statements in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts

and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1.3 Audit Observation

According to the Financial Records and the Books for the year ended 31 December 2012 it was observed that except for the effects of the general observations appearing at (a) and (b) and other major audit findings appearing in paragraphs 1.4 and 1.11 herein, the Appropriation Account, and the Reconciliation Statement of the Ministry of Transport had been prepared satisfactorily.

(a) Evidence not made available to Audit

- i. Even though 183 motor vehicle batteries valued at Rs. 3,830,702 out of the batteries purchased by the Ministry and handed over to Sri Lanka Transport Board had been handed over to the Kandy Regional Office, the evidence in support of the receipt of the batteries had not been furnished by the Regional Office of Sri Lanka Transport Board in Kandy.
- ii. In the handing over of motor vehicle batteries by the Head Office of Sri Lanka Transport Board to the Ruhunu Regional Office, 75 motor vehicle batteries valued at Rs. 1,569,960 in the year 2011 and 166 motor vehicle batteries valued at Rs. 3,474,845 in the year 2012 totalling 241 motor vehicle batteries valued at Rs. 5,044,805 had been under-supplied.

(b) Budgetary Variance

- i. The entire net provision of Rs. 4,501,800,000 made for 12 Objects had been saved.
- ii. Excess provisions had been made for 29 Objects and as such the savings, after the utilization of provision, ranged between 5 per cent to 99 per cent of the net provisions made.

1.4 Good Governance and Accountability

1.4.1 Corporate Plan

Even though the Ministry should prepare a Corporate Plan at least for a period of 03 years at the beginning of the year from the year 2010 onwards in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and Heads of Local Authorities, that Plan had been prepared only on 01 February 2013.

1.4.2 Internal Audit

Even though the Internal Audit Unit had carried 07 internal audits for the year under review, only one Internal Audit Report for the first-quarter of the year had been presented to the Auditor General.

1.5 Assets Management

(a) Idle and Underutilized Assets

Five motor vehicles had been idle while five other motor vehicles had been underutilized over a period exceeding 03 years.

(b) Conduct of Annual Board of Survey

According to the Public Finance Circular No. 441 dated 09 December 2009 as amended by the letter No. PF/ Boards of Survey /01 dated 17 December 2010 of the Director General of Public Finance, the Board of Survey for the year should have been conducted and the reports thereon should have been presented to the Auditor General before 31 March 2013. Nevertheless, the Ministry had not conducted the Annual Board of Survey for the year 2012 even by 28 June 2013. The last Board of Survey conducted had been for the year 2011. Even though the Board of Survey for the year 2012 had been appointed, the survey had been in progress even by 28 February 2014.

(c) Assets given to the External Parties

The Ministry had irregularly released 03 motor vehicles valued at Rs. 3,800,000 to 03 Government institutions.

(d) Irregular use of Assets belonging to other Institutions

The land 01 acre 25.75 perches in extent and the buildings thereon belonging to the Department of Sri Lanka Railways had been used by the Ministry and had been using 07 motor vehicles valued at Rs.5,600,000 obtained from other Government Institutions.

(e) Unsettled Liabilities

The value of the unsettled liabilities of the Ministry as at 31 December 2012 amounted to Rs. 313,575,577 and those related to a period less than one year.

1.6 Non – compliances

Contrary to the Circular No. CA/1/17/1 dated 14 May 2010 of the Presidential Secretariat, 07 additional telephone and fax connections and 02 telephone connections for 02 undefined posts had been obtained and an additional cost of Rs. 473,615 had been incurred in that connection.

1.7 Weaknesses in the Implementation of Projects

Instances of projects abandoned without commencing and completion and delays in projects observed during the course of audit test checks are given below.

Delays in the Execution of Projects

Project	Estimated Cost	Date Commencement	Due for Completion	Date	Expenditure up to 31 December 2012	Expenditure for the year 2012	Reasons for Delay
	Rs.Millions				Rs. Millions	Rs.Millions	
i. Proposed Railway Track from Matara to Katharagama Project (Beliatta to Katharagama)	92,252.29	2006	2017		1,473.62	134.46	The Ministry informed that the Railway Track development from Beliatta to Katharagama as decided at present is subject to a proposal for changing the Railway Track and that a study is in progress as at present for

									the selection of a new track comparable to that. Written evidences to confirm that had not been furnished
ii.	Proposed Railway Track from Matara to Katharagama Project (Matara to Katharagama)	40,533.53	2006	Agreed period is 03 years. Date of completion will be decided from the date of payment of advance.					Delay in acquisition of lands. Action had not been taken even by 31 December 2012 to enter into an agreement with a foreign institution to obtain loans needed for the project.
iii.	Horana – Kottawa Proposed Railway Track - Feasibility Study and Environmental Study.	11.00	2006	30 October 2008	6.00	2.69			Even though the studies had been awarded to be University of Moratuwa action had not been taken to obtain the reports.
iv.	Kurunegala – Habarana via Dambulla proposed Railway Track	4,000.00	08 March 2008	31 January 2009	19.90	0.58			Even though expenditure had been incurred on environmental matters and median lines a price revision was requested for payment, work had been stopped as the revision was not allowed.
v.	Colombo – Hambantota proposed Kelani Velley Railway Track Economic Feasibility Study and Environmental Evaluation Report.	5,750.00	08 April 2008	31 January 2009	5.40		Expenditure not incurred		Even though the studies had been awarded to the University of Moratuwa, action had not been taken to get the work done.

vi. Medawachchiya – 9.00 Trincomalee proposed Railway Track - Feasibility Report	9.00	01 January 2010	28 November 2012	4.20	4.24	Preparation of the Feasibility Report had been awarded to the University of Colombo and no action had been taken to obtain final report. Expenditure incurred on the University of Colombo included under this.
vii. Wallawaya – Bibile – 9.00 Badulla proposed Railway Track Pre - Feasibility study	9.00	01 February 2011	30 December 2012	-	Expenditure not incurred	Even though the approval of the Cabinet of Ministers had been sought for the construction of this Railway Track, according to the decision of the Cabinet of Ministers dated 01 December 2011 alteration of the track had been ordered. Even though the approval of the Cabinet of Ministers had been received on 05 April 2012 to award the contract for the Pre – Feasibility Study for the construction of a Railway Track via Embilipitiya – Monaragala – Katharagama – Ampara to Batticaloa to the Central Engineering Consultancy Bureau, it had not been awarded up to date.
viii. Trincomalee – Maho– 1.00 Puttalam proposed Railway Track Preliminary Feasibility Study.	1.00	01 February 2011	25 December 2012	0.10	0.11	Action not taken for the preparation of the preliminary report required for the preparation of the Feasibility Report.

1.8 Losses and Damage

Losses and damage relating to 06 accidents to motor vehicles totalling Rs. 2,062,819 had been caused. Action had not been taken even by 31 December 2012 for the recovery of the losses and out of that amounting to Rs. 346,200 from the relevant parties.

1.9 Uneconomic Transactions

Direct telephone connections had been provided to 28 officers in terms of the Public Finance Circular No. 446 of 01 September 2010. Those officers had obtained telephone calls valued at Rs. 507,065 from the General Telephone Exchange of the Ministry without obtaining the calls from their direct telephones, thereby preventing the excesses on the limits on their telephone expenses.

1.10 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
-----	-----	-----	-----
(i) Senior Level	25	20	05
(ii) Tertiary Level	05	05	-
(iii) Secondary Level	107	70	37
(iv) Primary Level	45	41	04
(v) Other (Casual/ Temporary/ Contract Basis)	03	03	-
	-----	-----	-----
Total	185	139	46
	=====	=====	=====

Over 50 employees recruited as substitute employees by the Department of Sri Lanka Railways had been allocated to the Ministry. The Department of Sri Lanka Railways had paid to them salaries and allowance totalling Rs. 1,418,382 for the period from the date of release to the Ministry up to 31 December 2012. The Ministry had not reimbursed that money to the Department of Sri Lanka Railways ever by 31 December 2012.

2. Head 306 – Department of Sri Lanka Railways

2.1 Scope of Audit

The audit of the Appropriation Account and the Revenue Account including the financial records, reconciliation statements, books, registers and other records of the Department of Sri Lanka Railways for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the General Manager of Sri Lanka Railways on 10 October 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2.3 Audit Observation

According to the Financial Records and the Books for the year ended 31 December 2013 it was observed that except for the effects of the general observations appearing at (a) to (g) and other major audit findings appearing in paragraphs 2.4 and 2.11 herein, the Appropriation Account, Revenue Accounts and the Reconciliation Statement of the Department of Sri Lanka Railways had been prepared satisfactorily.

(a) Presentation of Accounts

The Department of Sri Lanka Railways had not presented the Accounts and Reconciliation Statements for the year under review by 31 March 2013. Details appear below.

Head/ Revenue Code/ Item Number	Name of Account	Date of Presentation
-----	-----	-----
306	Appropriation Account	18 July 2013
20:01:01:00	Revenue Account	09 April 2013
30601	Reconciliation Statement of the Advances to Public Officers Account	26 April 2013
30602	Stores Advance Account	10 May 2013

(b) Non- maintenance of Registers and Books

- i. It was observed during the course of audit test checks that the Department of Sri Lanka Railways had not maintained the following Lists, Schedules and Records.

Type of Registers	Relevant Regulation	Observation
-----	-----	-----
Half yearly Lists of Deposits	Financial Regulation 571 (1)	Not prepared
Schedules of Outstanding	Public Enterprises Circular	Not prepared
Individual Loan Balances	No. 96 of 10 August 1994	

- ii. Replies to 50 audit queries issued to the Department of Sri Lanka Railways in the year under review and 23 audit queries issued in the preceding years had not been furnished even by 31 March 2013. The value of quantifiable transactions relating to those audit queries amounted to Rs. 19,546,573,929.

(c) Public Expenditure Management

Out of the provision approved by the Parliament for the year 2012 from the Annual Budget Estimates, 9 per cent of the provision made for capital expenditure should be frozen in term of the National Budget circular No. 155 of 30 December 2011. Nevertheless the Department had frozen only 6.2 per cent.

Budgetary Variance

- The entire net provision amounting to Rs. 994,090,000 made for 10 Objects had been saved.
- Excess provision had been made for 25 Objects and as such the savings after the utilization of provisions ranged between 25 per cent to 99 per cent of the net provision made for those Objects.

(d) Revenue Accounts

The following observations are made.

- i. The revenue of Rs. 57,400 received from the hire of the Railway playground at Kothalawalapura, Ratmalana had not been credited to the Public Revenue. The Railway Security Division had not taken any action whatsoever for removing the unauthorized constructions on the playground.
- ii. Revenue amounting to Rs. 302,582 receivable from 07 trade stalls in the Railway Stations had not been recovered. Details appear below.

Railway Station -----	Number of Trade Stalls -----	Arrears -----
		Rs.
Mirigama	1	26,880
Ja-Ela	1	40,200
Maharagama	<u>5</u>	<u>235,502</u>
Total	<u>7</u>	<u>302,582</u>

- iii. According to the Revenue Account of the Revenue Code No. 20:01:01:00, Revenue amounting to Rs. 1,263,848,467 had been in arrears and the outstanding revenue related to periods ranging from 01 year to 38 years. The follow up action on the recovery of the outstanding revenue had been at a weak level. An age analysis of the outstanding revenue is given below.

Revenue Code -----	Age Analysis -----			Arrears of Revenue as at 31 December 2012 -----
	Less than 01 year -----	Over 01 year less than 02 years -----	Over 03 year -----	
	Rs.	Rs.	Rs.	Rs.
20:01:01:00	664,132,149	94,605,988	505,110,330	1,263,848,467

- iv. Statements of Arrears of Revenue in terms of Financial Regulation 128(2) had not been prepared.
- v. A fee of Rs. 5,958,975 for 117 telephone booths installed in the premises of the Department and a fee of Rs. 19,578,000 for 10 teller machines installed in Railway Stations remained recoverable from the institution in the year under review.
- vi. Action had not been taken for the recovery of the arrears of electricity charges amounting to Rs. 1,221,100 and the penalty for delay amounting to Rs. 441,900 recoverable up to the end of year under review from the Restaurant Unit No.1 of Colombo Fort and Unit No.02 of Colombo Fort / Kandy leased out by the Department to a private institution from February 2009.
- vii. The Restaurant at Negombo had been leased out without calling for bids for a monthly rental of Rs. 6,500 with effect from 01 June 2010 and the arrears of lease rent up to August 2011 amounted to Rs. 44,446. A sum of Rs. 22,629 had been in the arrears for the leasing out of this Restaurant previously and the arrears of lease rent receivable from the Restaurant up to a end of the year under review amounted to Rs.70,075.
- viii. The arrears of lease rent revenue receivable up to the end of the year under review from 16 trade stalls on which the revised lease rent notices prepared by the Department based on 01 January 2006 had been amounted to Rs. 4,880,013. Even though eviction notices had been issued for the takeover of the trade stalls, the occupants had not vacated the premises.
- ix. The trade stall rents receivable for the year 2005 to 2009 from the Railway Station at Veyangoda, Nugegoda, Padukka and Maharagama amounted to Rs. 1,519,271.
- x. Revenue amounting to Rs. 67,500 from the hire of the auditorium in the year 2011 and a sum of Rs 132,500 received in the year 2012 had been retained in a savings account without formal approval and without being credited to Public Revenue.

- xi. The arrears of lease rent up to the end of the year under review on the land leased out to the Badulla Municipal Council amounted to Rs. 602,274.
- xii. The land 7.65 perches in extent belonging to the Bandarawela Railway Station had been leased out again to a State Bank and the lease rent had not been recovered on the new assessment of the year 2007. The lease rent so deprived of to the Department up to the end of the year under review amounted to Rs. 350,000.
- xiii. The lease rent revenue recoverable from the year 2007 on 32 lands leased out to the Ceylon Petroleum Corporation amounted to Rs. 205.93 million.
- xiv. Action had not been taken for the recovery of the annual maintenance expenditure amounting to Rs. 6,092,801 due from the private institutions to which the Viceroy Train the Department had been leased out.
- xv. The revenue received from lease of the Mount Mary Playground of the Department over a long period had been deposited in a private Bank Account without formal and approval without being credited to Public revenue. The revenue received in the year 2011 amounted to Rs. 1,719,902 and the particulars of that revenue had not been furnished to audit.

(e) Reconciliation Statement of the Advances to Public Officers Account

The following observations are made.

- i. According to the Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account item No. 30601 the balances that remained outstanding as at that date totalled Rs. 74,184,173. The follow up action on the recovery of those outstanding balances had been at a weak level and failed to recover those outstanding balances, had not been recovered. Out of the outstanding loan balances, 63 per cent or Rs. 46,512,602 had been balances existing for over 03 years.

- ii. Even though a balance of Rs. 4,177,805 appears as a balance of the Control Account from the year 2004, according to the Departmental books and the Treasury computer printouts, action had not been taken even up to the end of the year under review to settle that amount.
- iii. Action had not been taken to identify and settle the difference of Rs. 11,957,423 between the balance of the Summary of Individual Balances Classification and the balance of the Control Account.
- iv. No courses of action whatsoever had been taken for the recovery of the loan balance of Rs.1,098,535 older than 08 years recoverable from 22 officers transferred out of the Department of Sri Lanka Railways.
- v. Action in terms of Sections 4.2.5, 4.4 and 4.5 of Chapter xxiv of the Establishments Code had not been taken for the recovery of loans totalling Rs. 39,178,803 obtained by the deceased and retired officers of 18 Sub-offices.
- vi. According to Section 4.5 of Chapter xxiv of the Establishments Code, where any dues to the Government cannot be recovered from the principal debtor, it should be recovered from the surety, in the same manner as provided for the case of the principal debtor. Nevertheless, action had not been taken for the recovery in that manner, the loan balances amounting to Rs. 22,258,450 of the employees of 08 Sub - Departments who had vacated posts.
- vii. No action whatsoever had been taken for the loan balances totalling Rs. 10,647,963 due from the interdicted employees of 15 Sub-Departments remaining without being recovered over long periods.
- viii. No action whatsoever had been taken for the recovery of loan balances amounting to Rs.235,701 remaining due from interdicted employees over a period exceeding 10 years.

ix. Even though a sum of Rs. 535,780 had been shown in the reconciliation statement as other balances of the Sub-office of the District Engineer (Lower) Galle, no action whatsoever had been taken even by the end of the year under review for the recovery of those loan balances.

(f) Advance Accounts under Liquidation

The Department of Sri Lanka Railways had finalized the liquidation of 04 Advance Account Activities in December 1987 and the working losses of those Advance Account Activities totalled Rs. 3,394,553. Necessary steps had not been taken for the settlement of those losses.

(g) Stores Advance Accounts

The following observations are made.

- i. Out of the advances granted from the year 1980 to the year 2011 for the purchase of goods, the unsettled advances as at 31 December 2012 totalled Rs. 63,787,848. Out of the advances granted in the year 2012 advances totalling Rs. 12,621,901 had not been settled even by June 2013.
- ii. Even though customs duty amounting to Rs. 114,384,708 had been paid for the import of goods from the year 1993 up to the end of the year under review, that loss had not been adjusted to the stock.
- iii. The value of the unsettled letters of credit from the year 1998 to the year 2009 amounted to Rs. 67,372,861 and action had not been taken even by 31 December 2012 for the settlement of those liabilities.

- iv. Even though a sum of Rs. 13,829,758 had been brought forward in the accounts over a number of years as the losses arising from the outdated and obsolete materials, action had not been taken for the write off those losses from the stocks.
- v. The creditors balance of Rs. 131,433,982 in the Schedule of Creditors furnished with the accounts included the creditors from the year 1996 to the year 2011. The sum of Rs. 9,184,686 shown as a deduction from net balance as the advances paid to the institution before obtaining goods included in advances amounting to Rs.3,916,998 paid from the year 1992 to the year 1995 which did not relate to that period.
- vi. Thirty nine Mono Black Lead Batteries (Doug - Ah – N 2002, 12v 215 Ab with aid) had been purchased from a private institution at a cost of Rs, 2,177,448 on 09 February 2012 for the Ratmalana Store. Those batteries had a guarantee period of one year and the stock of batteries had been retained without being used even up to 07 January 2013, the date of audit.
- vii. A stock of 200 black leather bags 17” x 11” had been purchases from a private institution for Rs. 579,999 for the Maradana Store without identifying the need. Out of the 200 bags purchased only 31 bags had been issued for use even by 11 January 2013, the date of audit and the value of the idle stock of 169 bags remaining in the stores amounted to Rs. 490,099.
- viii. Seven Facsimile Printers valued at Rs. 203,840 had been formally taken over by the Ratmalana Store in July 2012. Those printers remained without being used even by 07 October 2012.
- ix. The objective of procurement had not been achieved due to the purchase of the stock item RJ/25/3 in 06 instances instead of purchasing in a single instance. The quantifiable loss arising therefrom amounted to Rs. 105,921.
- x. According to the registers maintained by the Accounts Division goods valued at Rs. 573,481,923 ordered in 360 instances from foreign companies from the year 2005 to the year 2012 had been shown as stocks in transit. No courses of action whatsoever had been taken on the non -receipt of those goods paid for by Letters of Credit.

xi. Even though Rs. 159,561,864 had been paid to the foreign suppliers from the year 2006 to the year 2012, goods valued at Rs. 105,299,195 ordered in 35 instances had not been received.

(h) Imprest Accounts

(i) The Department had neither maintained an imprest Account for the imprest nor reconciled the balance of the Imprest Account monthly with the Treasury books. Instead, an Account No. 8003 under the General Manager of Railways had been maintained as a Loan Account.

(ii) According to the Financial Regulation 371(c), the Sub-imprest granted should be settled immediately after the completion of the purpose. Nevertheless, the ad-hoc sub – imprests amounting to Rs. 102,602,082 obtained in the years 2010 and 2011 had not been settled even by 30 April 2013.

(i) General Deposit Account

The balance of the General Deposit Account as at 31 December 2012 amounted to Rs. 216,664,689. Action in terms of Financial Regulation 571 had not been taken on deposits amounting to Rs. 29,967,732 older than 02 years.

2.4 Good Governance and Accountability

2.4.1 Corporate Plan

Even though the Department should prepare a Corporate Plan at least for a period of 03 years at the beginning of the year from the year 2010 onwards in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, that Plan had been prepared by the Department only on 27 August 2013.

2.4.2 Annual Action Plan

Even though the Department should have prepared an Annual Action Plan for the year 2010 and onwards according to the Corporate Plan prepared in terms of the letter of the Director General of Public Finance referred to in paragraph 2.4.1 above, an Action Plan for the year under review had been furnished to the Auditor General only on 17 August 2013.

2.4.3 Annual Performance Reports

Even though the Annual Performance Report that should be prepared by the Department in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 referred to in paragraph 2.4.1 above should have been tabled in Parliament within 150 days after the close of the financial year with a copy to the Auditor General, the Performance Report for the year under review had not been tabled in Parliament even by 30 September 2013.

2.4.4 Annual Procurement Plan

The Annual Procurement Plan in terms of the National Budget Circular No. 128 of 24 March 2006 had not been prepared even by 31 December 2012.

2.4.5 Internal Audit

The Department had established an Internal Audit Unit. Even though the Unit had a staff of 23 officers, internal audit reports whatsoever had not been furnished to the Auditor General.

2.4.6 Implementation of Audit and Management Committee

.....

Even though an Audit and Management Committee had been establish only 02 committee sessions had been held during the year 2012

2.5 Assets Management

(a) Idle and Underutilized Assets

It was observed during the course of audit test checks that certain assets as classified below had been either idle or underutilized.

	Category of Assets	Quantity	Idle or underutilized period
	-----	-----	-----
i.	Lands (Acres)	1,490	Over 25 years
ii.	Motor Vehicles (Cars)	01	Over 10 years
iii.	Buses	01	Over 10 years
iv.	Machinery of Engines	43	Over 25 years

(b) Conduct of Annual Boards of Survey

The following observations are made.

- i. According to the reports of the Boards of Survey of stores of the previous years an excess of 13 items of goods valued at Rs. 241,513 and an excess of 05 items of goods, the value of which had not been computed had been revealed. The value of the excess stocks had not been adjusted to the stock balance of the Stores Advance Account. As such that amount had been understated in the value of stocks.
- ii. According to the Reports of the Boards of Survey of stores of the previous years a shortage of 268 items valued at Rs. 14,860,600 and a shortage of 20 items of goods, the value of

which had not been computed had been revealed. As the shortage of stocks had not been adjusted to the value of the closing stocks, the stock balance of the Stores Advance Account had been overstated by that amount. No action had been taken on those shortage.

- iii. Even though the failure to adjust the excesses and shortages observed in the Boards of Survey of the years 2010 and 2011 to this stock was pointed out by audit queries in the preceding years, action had not been taken accordingly. Details appear below.

Year	Excess		Shortage	
	Number of Items	Value	Number of Items	Value
		Rs.		Rs.
2010	14	212,420	232	9,860,577
	10	Value not shown	59	Value not shown
2011	13	162,471	196	10,841,638
	03	Value not shown	17	Value not shown

- (c) Assets given to External Parties

A land, 01 acre 25.75 perches in extent valued at Rs 600,000 had been released from the beginning by the Department to the Ministry of Transport.

- (d) Unsettled Liabilities

The unsettled Liabilities of the Department, less than 01 year old, as at 31 December 2012 amounted to Rs. 714,140,579.

2.6 Non – compliances

 Non – compliance with Laws, Rules and Regulations

Instances of non – compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non – compliance
-----	-----	-----
	Rs.	
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka -----		
(i) Chapter VIII Section 5.6	4,123,595	Without deducting a minimum of 168 hours per week for officers deployed on Service rosters or work rosters 101 Guards had been paid overtime in the year under review.
(ii) Chapter VIII Section 2.1	2,312,328	Chief Railway Guards of Maradana had been paid overtime for 10, 165 hours of idle time In the year 2011.
(iii) Chapter VIII Section 1.4	418,312	In the absent of a very special situation due to the failure to exercise a continuous control with due care, overtime had been paid for 3,194 man – hours exceeding the man – hours needed to cover the posts vacant.

(iv)	Chapter XII Section 6.2	84,355	Six Officers had obtained leave of 121 days in excess of the 14 days of leave that can be obtained in one instance by submitting private medical certificates.
(v)	Chapter XXX Section 1.4 and Chapter IX Section 3	117,650	Before under taking any action by an officer outside the normal duties, he should obtain the permission from the Secretary to the Ministry. Nevertheless, two officers obtained allowances by servicing as cricket umpires and had not credited to the Consolidated Fund or sum as decided by the Secretary.
(vi)	Chapter XXIV Section 4.8	153,924	Four officers of the Department of Sri Lanka Railways had been released to Public Corporations without recovering loan balances older than 10 years.
(vii)	Paragraph (2) of Appendix 1 of Volume II	3,898,568	Leave of 5,664 days had been obtained by producing forged medical certificates with names and registered numbers of counterfeit physicians. Action had not been taken to recover the money or to take disciplinary action against the officers who prepared those documents.
(b)	Financial Regulations of Democratic Socialist Republic of Sri Lanka -----		
(i)	Financial Regulation 105	20,702,215	Action in terms of the Financial Regulation had not been taken on the shortage of 504 items of good of the Department valued at Rs. 20,702,215.

(ii)	Financial Regulation 175 (2)	57,660,420	Proper action had not been taken for the recovery of arrears of revenue.
(iii)	Financial Regulation 371 (2)	137,857,000	Even though ad hoc sub- imprests granted should be settled immediately after the completion of the purpose, advances amounting to Rs. 137,857,000 granted in 2,204 instances in the year 2011 had not been settled.
(iv)	Financial Regulation 571 (1), (2) and (3)	29,327,971	Lists of Lapsed Deposits should be prepared at the end of each half year and credit those to the public revenue or refunded immediately. Nevertheless, the value of lapsed deposits not credited to the public revenue as at 31 December 2012 amounted to Rs. 29,327,971.
(v)	Financial Regulation 751	500,202	Materials purchased for the Northern Railway Track Construction Project had not been recorded in the Inventory.
(vi)	Financial Regulations 760 and 110	35,562,815	Even though the value of goods lost or reduced should be estimated write off from inventory registers or stock books, it had not been so done in connection with stock shortage observed from the year 2010 to 31 December 2012.
(vii)	(VII) Financial Regulation 767	616,401	Action in terms of the Financial Regulation had not been taken on the excess of stocks observed from the year 2010 to 31 December 2012.

(c) Circulars of the Presidential
Secretariat

Circular No. CA/1/17/1 of 14 May 2010 Paragraph 02	145,089	The sum of Rs. 145,089 paid from the Head of the Department of Sri Lanka Railways and the cost of 340 litres of fuel supplied monthly to a Co-ordinating Secretary appointed to the Ministry of Transport contrary to the circular of Presidential Secretariat had not been recovered.
---	---------	--

(d) State Accounts Circulars

- | | | |
|---|-------------|---|
| (i) Circular No. 187/2006 of 27
September 2006 Paragraphs
03 and 04 | 391,297,515 | Even though the reports of Daily Collection of Revenue and Monthly Reports of Revenue should be reconciled with Treasury books and rectified, action had not been taken to reconcile and rectify the difference of Rs. 391,297,575 between the balances as at 31 December of the year under review. |
| (iii) Circular No. 174 of 14
October 2004 | 2,777,000 | The disposal of non – current assets purchased after the year 2004 should be shown by eliminating from the opening balance and the assets acquired before that should be shown without being deducted. But it had not been so done. The year of purchased had not been confirmed by the Department the assets purchased for the value of Rs.2,777,000 |

(e) Circulars of the Ministry of
Finance and Planning

Circular No. 01/2010 of 11 October 2010	17,237,090	The payments made to 129 officers who proceeded abroad from time to time in years from 2010 to 2012 had not been brought to account in the expenditure accounts.
--	------------	---

(f) Circulars issued by the
General Manager of
Railways

Circular Com/Gen/2011/09 of November 2011	No. 1,783,818	Even though a penalty of Rs. 25,000 should be recovered as the loss caused by damaging the gates installed at Railway crossings from the parties causing such damage, action had not been taken for recovery of the losses caused in 78 instances.
---	---------------	---

2.7 Weaknesses in the Implantation of Projects

Instances revealed during the course of audit test checks of projects abandoned without commenting, projects abandoned without completing and projects delays are given below.

(a) Projects Abandoned without Commenting

The Department had not commenced the following projects.

	Project	Estimate Cost	Due Date for Commencement	Reasons for not Commencing
	-----	-----	-----	-----
		Rs.		
(i)	Railway Carriages Construction Project	30,000,000	Not stated	Even though it had been stated as due to reasons beyond the control of the Chief Mechanical Engineer's Sub- Department, the reasons had not been furnished to audit.
(ii)	Construction of Double Track from Polgahawela to Anuradhapura	1,000,000	Not stated	Even though it had been stated as due to reasons beyond the control of the Chief Mechanical Engineer's Sub- Department, the reasons had not been furnished to audit.
(iii)	Bridges Project (Government of Sri Lanka/ Government of Belgium)	214,765,785	Not stated	As the loan agreement had been signed in August 2013, no expenditure had been incurred in the year 2012.
(iv)	Bridges Project (Government of Sri Lanka/ Government of Belgium)	250,000,000	Not stated	A sum of Rs. 249,000,000 had been saved in terms of the National Budget Circular No. 155 of 30 December 2011.

(b) Delays in execution of Projects

Delays in the execution of the following projects by the Department were observed.

	Project	Estimated Cost	Date of Commencement	Due date for Completion	Expenditure up to 31 December 2012	Reasons for the Delay
	-----	-----	-----	-----	-----	-----
		Rs.			Rs.	
(i)	Construction of Ragama – Puttalam Double Track	40,000,000	Not stated	Not stated	8,873,037	Non - filling of Surveyors on vacancies
(ii)	Kandy/ Peradeniya/ Kadugannawa Railway Triangle Development Project	15,000,000	Not stated	Not stated	2,244,683	Non- filling of Surveyors on vacancies
(iii)	Improvement of Colombo – Matara Railway Track. Sri Lanka government/Indian government	700,000,000	Not stated	Not stated	225,529,205	Non-receipts of certain essential reports up to date.

2.8 Deficiencies in the Operation of Bank Accounts

The information revealed at an analysis of the adjustments shown in the Bank Reconciliation Statements of the year 2012 prepared by the Department of Sri Lanka Railways in given below.

Particular of adjustments -----	Age analysis -----			Total -----
	Over 01 month less than 01 year	Over 01 year less than 03 years	Over 03 years	
	Rs.	Rs.	Rs.	
(i) Cheques issued but not presented for payment	52,700	-	-	52,700
(ii) Dishonored cheques	220,220	11,820	453,699	1,185,739

2.9 Management Weakness

The following weaknesses were observed.

- (a) Separate water connections had not been provided to 236 Railway Quarters at Ratmalana while water had been supplied through the main supply line of the Department. Even though a sum of Rs. 2,300,000 had been paid in December 2010 for obtaining water through that for 36 quarters, that work had not been done even up to the date of audit in October 2012.
- (b) A sum of Rs.4,651,620 at the rate of Rs. 310,108 per tank had been spent on carrying out repairs to the defects on the surface detected at the inspection carried out on arrival at the port the 15 fuel transport tanks purchased on 21 November 2011 under the Pakistan Loan Agreement No. SRS/F6604 and action had not been taken for the recovery of the money from the manufacturers. According to clause 11.3 of the agreement, the cost of repairs carried out in Sri Lanka to mechanical or engineering defects of the tanks manufactured and supplied could be recovered within a period of 24 months from the date of commencement of the use of the tanks in this country or within 30 months from the date of unloading at the point of this country, Even though 23 months had elapsed after the import of the tanks to this country, those had not been used even by 31 December 2012, the date of audit.
- (c) Action in terms of the Government procurement guidelines had not been taken in entering into agreements for adding air conditioned carriages to the Colombo Fort – Kandy

Intercity Express while approval of the cabinet of Ministers had not been obtained. The transactions relating to the lease of those carriages had been carried out devoid of transparency. As the agreements had not been entered in the formats approved under Financial Regulation 702, arrears of revenue amounting to Rs. 40,870,160 could not be remitted to the Treasury.

- (d) Action had not been taken for the recovery of arrears of lease rent revenue amounting to Rs. 643,435 receivable up to August 2012 on 02 lease deeds.
- (e) Even though Government money should not be misused as specified in Financial Regulation 323, the daily revenue of the Department had been utilized by Station Masters to encash private cheques issued by Trade Unions to their member without banking the collections. As such it was observed that 08 cheques valued at Rs. 385,000 issued by the Trade Unions in year 2012 had been dishonoured . The registers had not been maintained in such manner to facilitate the identification of receipts by cheques included in the daily receipts .
- (f) According to Financial Regulation 763, the Departments maintaining stores on large scale, those engaged in the production or repair of goods should formulate regulations . The Department of Sri Lanka Railways had been taking over acetylene gas purchased without weighing. Even though this deficiency was pointed out in audit in the year 2011, without rectifying the deficiency acetylene gas valued at Rs. 4,467,855 had been purchased without weighing up to August 2012 As such it was not possible to ascertain in audit whether the quantities received are correct. The risk of error and fraud existed.
- (g) Fifteen officers with 8,642 square feet of floor space for 02 Trade Unions and 02 buildings with 1, 435 square feet of floor space for 02 institutions not registered as Trade Unions had been given without entering into written agreements and without charging fees for water and electricity supplied to the buildings.

- (h) Even though compensation amounting to Rs. 138,068 had been paid for goods lost while being transported by train, a sum of Rs. 110,454 out of that had not been recovered from the officers responsible. Disciplinary action had also not been taken against them.
- (i) A sum of Rs. 301,251 recoverable from 12 Guards attached to the Maradana Railway Yard and retired in the years 2011 and 2012 in connection with 354 days of leave obtained by producing fraudulently prepared medical certificates have not been recovered at the time of their retirement .
- (j) The duty of Ticket Inspectors is the examination of passengers travelling in trains without tickets. Nevertheless, 10 per cent of the penalty recovered from passengers travelling in trains without tickets is being paid by the Railway Stations to the Ticket Inspectors, Railway Security and other servicers as a grant without this approval of the Treasury. Such payments did not have the approval of an Accountant and such allowance is not taken into account for the computation of the Pay As you Earn Tax deducted from the salaries of respective officers.

2.10 Losses and Damage

Action had not been taken during the years from 1980 to 2012 for the recovery of the arrears of revenue amounting to Rs. 250,017,513 receivable by the Department from 25 institutions for the transport of goods by train. It was observed that certain institution included therein have been closed down at present.

2.11 Human Resources Management

 Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
-----	-----	-----	-----	-----
Senior Level	160	97	63	-
Tertiary Level	349	146	203	-
Secondary Level	9,408	6,844	3,701	1,137
Primary Level	13,458	7,538	5,929	09
Others (Casual/ Temporary/ Contract Basis)	-	2,674	-	2,674
	-----	-----	-----	-----
Total	23,375	17,299	3,896	3,820
	=====	=====	=====	=====

Over 50 persons appointed as substitutes to the Department of Sri Lanka Railways had been attached to the Ministry of Transport and the salaries and overtime paid to them since the date of release up to 31 December 2012 totalled Rs. 1,418,383 and that amount had not been obtained as a reimbursement from the Ministry.

3. Head 307 – Department of Motor Traffic

3.1 Scope of Audit

The audit of the Appropriation Account and the Revenue Account including the financial records, reconciliation statements, books, registers and other records of the Department of Motor Traffic for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of Department on 20 January 2014. The audit observations, comments and findings on the accounts and the reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

3.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148, 149 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

3.3 Audit Observation

According to the Financial Records and the Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (f) and other major audit findings appearing in paragraphs 3.4 to 3.13 herein, the Appropriation Account, Revenue Account and the Reconciliation Statement of the Department of Motor Traffic had been prepared satisfactorily.

(a) Non- maintenance of Registers and Books

i. Unanswered Audit Queries

Replies to 28 audit queries issued to the Department in the year under review and 10 audit queries issued in the preceding years had not been furnished up to 31 December 2013.

ii. Non- submission of Information

Even though the information on all the motor vehicles registered under the numeral series 31, 32, 60, 61, 62, 64 and 65 and the English letters G, H, and J was called for the purposes of audit examination , such information had not been furnished to audit even by 31 December 2013.

Seven hundred and one files on motor vehicles called for in 07 instances in the year under review for audit examination had not been furnished to audit even by 15 November 2013.

i. Budgetary Variances

The following instances were observed.

- i. The entire recurrent provision of Rs. 290,000 made under one Object had been saved.
- ii. Excess provision made for 04 Objects were observed and such provision made ranged between 50 per cent to 100 per cent of the net provision made.

ii. Imprest Account

The following observation are made.

- i. In terms of Financial Regulation 371(2) an ad hoc sub – imprest obtained for a specific purpose should be settled immediately after the completion of such purpose. Nevertheless, the officers had settled advances amounting to Rs. 297, 600 obtained in 06 instances after delays ranging from 01 week to 08 months. Accordingly several officers had utilized Government money for private purposes.
- ii. According to Financial Regulation 372, the imprest or the sub- imprest of a Department should be checked in not less than once a month by the Head of Department or any other officer authorized for the purpose. Nevertheless, the Department had not taken action accordingly.

iii. General Deposit Account

The following observations are made.

- i. Action in terms of Financial Regulation 571 had not been taken in connection with 99 deposits totalling Rs. 2,671,755 older than two years.
- ii. The balance of the General Deposit Account as at 31 December 2012 according to the Departmental books amounted to Rs. 422,075,896 and that balance according to the Treasury books amounted to Rs. 442,544,996. The difference had not been identified and settled.

iii. Even though the share of each Provincial Council from the fee collected for the transfer or registration of motor vehicles should be remitted to the respective Provincial Councils in the month following, the share of revenue relating to the North East Provincial Council totalling Rs. 40,099,186 relating to the years from 2009 to 2012 and stamp duty revenue recovered for the registration and transfer of motor vehicles during the period February 2009 to October 2012 amounting to Rs. 53,288,173 which should be remitted to the Department of Inland Revenue had retained in the General Deposit Account without taking action to remit the money to that Provincial Councils and the Department.

iv. Revenue Account

Luxury Motor Vehicle Tax – Revenue Code 10-03-01-00

The following observations are made.

- i. As the Department had not maintained the Revenue Registers properly, the arrears of revenue recoverable in respect of the preceding years as well as the year under review could not be assessed in audit.
- ii. The Statements of Arrears of Revenue had not been prepared in terms of Financial Regulation 128(2).
- iii. The estimating of revenue and the continuous review of the revenue from time to time in terms of the Fiscal Policy Circular No. 01/2002 of 17 July 2001 had not been done by the Revenue Accounting Officer.
- iv. A test check of the motor vehicles subjected to the luxury tax in the year 2004 revealed that the payment of taxes amounting to Rs. 84,827,250 had been defaulted. As such the tax defaulted by the owners of motor vehicles during 17 years since the introduction of the luxury tax in the year 1995 up to the year 2011 amounted to Rs. 1,442,063,250 approximately.

v. Under – recovery of Revenue

The luxury tax of Rs. 150,000 recoverable on a motor vehicle had not been recovered.

vi. Over-recoveries

According to the Sub – section appearing in the Gazette Extraordinary No. 1722/27 of 09 September 2011, the penalty for the non – registration of a motor vehicle for a period exceeding 30 days and less than one year from the date of import had been specified separately as Rs. 1,500 per new hand tractor and Rs. 1,750 per used hand tractor. Nevertheless, instances where the Department had charged a penalty of Rs. 1,750 per tractor in respect of all hand tractors irrespective of the registration status were observed.

II. Arrears of Revenue

According to the audit test checks of the recovery of the luxury taxes, arrears of revenue amounting to Rs. 1,442 existed. In view of the failure of the Department to recover those taxes on time, the annual loss caused to the Government annually computed at 10 per cent interest amounted to Rs. 144 million approximately.

(f) Reconciliation Statement of the Advances to Public Officers Account

Instances of action not taken for the recovery of distress loans, festival advances and other loans properly as shown below were observed.

- i. Action had not been taken for the recovery of loan balances totalling Rs. 185,388 due from 15 officers vacated posts and dismissed from service since the year 1993, and loan balances totalling Rs. 1,170,753 from 17 officers interdicted since the year 1998.

- ii. Even though a difference of Rs. 4,766 between the balance of the Advances to Public Officers Account according to the Departmental books and the balance according to the Treasury computer printouts existed from the preceding years, action had not been taken to reconcile and settle the difference even up to the end of the year under review.

- iii. Even though the loan balances recoverable from 12 officers whose pensions had been suspended amounted to Rs. 986,345 action had not been taken for the settlement of those old loan balances.

- iv. The unreconciled balance of Rs. 1,229,995 between the total of the Individual Balances Classification Summary and the year end balance of the Control Account that existed in the year 2011 had increased to Rs. 2,107,052 by the end of the year 2012. Action had not been taken even up to the end of the year under review to reconcile and settle the balance.

- v. Action on old loan balances had not been taken in terms of the State Accounts Circular No. SA/AS/MS/06/28 of 29 August 2011.

3.4 Good Governance and Accountability

3.4.1 Corporate Plan

Even though the Department should prepare a Corporate Plan at least for a period of 03 years at the beginning of the year from the year 2010 onwards in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, that Plan had not been prepared even by 31 December 2013.

3.4.2 Annual Performance Report

Even though the Annual Performance Report that should be prepared by the Department in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 referred to in paragraph 3.4.1 above should have been tabled in Parliament within 150 days after the close of the financial year with a copy to the Auditor General, the Performance Report for the year under review had not been tabled in Parliament even by 31 December 2013.

3.4.3 Implementation of the Audit and Management Committee

The implementation of the Audit and Management Committee of the Department had been at a very weak level and only 03 meetings had been held by the Committee in the year 2012.

3.5 Assets Management

The following observations are made.

- (a) Action in terms of the Financial Regulations had not been taken on 01 excess and 19 shortages reported and the other recommendations made in reports of Boards of Survey for the year 2011.
- (b) Even though 11 items of goods of 09 categories had been taken out for the Deyata Kirula National Exhibition in the year 2012, the evidence in support of handover of those goods back to the Department was not made available to audit.

- (c) Twenty machines for printing of the registration certificates had been purchased on 12 October 2010 for Rs. 11,669,540 at Rs. 583,777 per printer. Out of those printers purchased 07 printers had been issued to the Head Office. A physical inspection of those printers carried out by audit on 20 December 2012 revealed that 04 printers had been removed from use as those had been destroyed by rats. Instead of issuing an ordinary printer for the printing work of the Statistics Division of the Department a printer of Registration Certificates costing Rs. 583,477 had been issued.

3.6 Non-compliances

- (a) Non-compliance with Laws, Rules and Regulations
-

Instances of non-compliance with the provision in laws, rules and regulations observed during the course of audit test checks are given below.

- (i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
-

Financial Regulation 756

Action had not been taken even by 31 December 2013 for the appointed of Board of Survey for in year under review and furnish Report to the Auditor General.

Financial Regulation 880

Even though the officers having the custody government reveal, stops or goods etc. should Deposits security Ordinance (cha.612) it had not been so done.

- (ii) Treasury Circular
-

Circular No. IAI/2002/02 of 26 December 2002

Department of Motor Traffic had not maintained a Register of Fixed Asset on Computer Accessories and Software

(b) Non- compliance with Tax Requirements

Instances where action in compliance with tax requirements had not been taken observed during the course of audit test checks are given below.

- i. Even though the provision for bearing the Nation Building Tax by the manufacturer or the service supplier is made in the Nation Building Tax Act, No. 9 of 2009, due to the action taken for the payments made together with that tax to obtain Driving Licenses to the supplier institution, an over payment of Rs. 44,538,368 had been made to the supplier institution for the supply of Driving Licenses during the period May 2009 to December 2012.
- ii. According to the Section 10 of Chapter II of the Value Added Tax Act, No. 14 of 2002 and the amendments thereto, where the value of services and supplies of the services and supplies of an institute is Rs. 650,000 or more per quarter or Rs. 2.5 million or more per year, such institution should compulsorily register for the Value Added Tax. Nevertheless, a large amount of revenue had been deprived of to the Government as the Department had not-registered for Value Added Tax. Even though the supply of services by the Department in the years 2011 and 2012 amounted to Rs. 6,325,878,729 and Rs. 6,577,711,148 respectively, revenue amounting to Rs. 1,548,430,785 had been deprived of in the years 2011 and 2012 alone due to the failure to register for the Value Added Tax.
- iii. Even though the loss to the Government due to the non- compliance with tax requirements shown in the Paragraphs (1) and (II) above was referred to in my report for the preceding year as well the Department had not taken action even up to the end of the year under review to rectify the situation.

3.7 Performance

3.7.1 Functions not Performed Adequately

The Department had not performed the key functions adequately and several such matters observed are given below.

(a) Inadequacy of Functions performed in relation to the Transfer of Ownership of Motor Vehicles

- i. The Department had not taken action in terms of provisions in the Act on the failure of the owners of motor vehicles to take action in terms of Section 12(3)(a) of the Motor Traffic Act.
- ii. In terms of Section 12 (3) (b) of the Act, 14 days after the change of ownership, an application for registration as the new owner should be made. But the Department had not taken action in terms of the provision in the Act in instances of failure to do so.

(b) Functions not Performed Adequately in the Recovery of the Luxury Tax

The following observations are made in this connection.

- i. Reports on Arrears of Revenue had not been made while there were weaknesses in the recovery of Arrears of Revenue.
- ii. Proper records of the recovery of tax and the taxes receivable had not been maintained.

- iii. Revenue Control Accounts had not been maintained.
 - iv. Action had not been taken to rectify the deficiencies in the computer system and it working.
 - v. Action had not been taken against the insurance companies which do not recover the tax properly.
 - vi. Action in terms of provisions in the Act had not been taken against the owners of motor vehicles who default in payment of tax.
 - vii. Even though the luxury tax should be recovered from the owners of motor vehicles at the time of registration it had not been so done in 54 instances. The Department had not taken action to identify the officers for taking disciplinary action in term of the Establishments Code. Action had not been taken even up to the end of the year under review for the recovery of the tax from 34 owner of motor vehicles.
 - viii. The Register of Counterfoil Books had not been updated for the proper identification of the luxury tax receipt books issued to and recovered from each insurance institution.
- (c) Irregularities in the Usage of Passwords of the Computer System.
-
- i. It was revealed that in the transfer of an officer from a new registration branch to a transfer branch or from a transfer branch to a New Registration Branch there were 20 officers whose passwords in the previous Branch had not been cancelled.
 - ii. It was revealed that in the event of an officer retiring from the Department or transferred out to another Department or an officer resigning from service or in the event of the death of an officer that there five officers whose passwords had not been cancelled.
 - iii. In terms of the Circular No. DMT/COM/113/Dept dated 10 January 2011 and the Internal Circular No. DMT/H/E/06/01 dated 06 August 2012, blacklisting of motor vehicle

registration numbers should be done only by the Internal Audit and removal from the blacklist should be done only by the Assistant Commissioners of the respective Division. Nevertheless, the Department had not taken action to rectify the possibility of other officers with usernames blacklisting motor vehicles through their passwords.

(d) New Registration of Motor Vehicles

The following functions relating to the registration of motor vehicles had not been adequately performed.

- i. Even though the registration of motor cycles had been assigned to the District offices of the Department, the number of motor cycles produced for registration per day ranged from 01 to 05. Such lesser number of motor vehicles produced for registration by District Offices had been due to the computer networks of the Department not being linked to the District Offices and the old numbers allocated to the District Offices. As such the objectives of decentralization of that function had also not been achieved.
- ii. The imported used hand tractors produced to the Department for registration had not been examined and reported on by an Examiner of Motor Vehicles.
- iii. Even though the fraudulent activities of the Department were brought to the notice of the Commissioner General of Motor Traffic over and over again through audit queries, prompt action on such fraudulent activities had not been taken with a view to taking disciplinary action against the officers involved in fraudulent activities and adequate action in terms of the provisions in the Act have not been taken against the owners of motor vehicles including the cancellation of the registration.

(e) Functions under Section 18 of the Motor Traffic Act

Instances in which the Department had not adequately performed the functions spelt out in the provisions in Sections 8 and 18 of Motor Traffic Act are given below.

- i. Steps had not been taken in terms of provisions in the Act to cancel the registration of motor vehicles fully withdrawn from use due to accidents or other causes.
- ii. A Register of License Cancelled Motor Vehicles had not been maintained.
- iii. Action in terms of the Motor Traffic Act had not been taken on motor vehicles for which revenue licenses had not been obtained continuously for more than two years.
- iv. Even though a large number of motor vehicles had been destroyed due to natural and non-natural causes including the tsunami and terrorist activities, the role of the Department in connection with those motor vehicles had not been performed.
- v. Registers had not been maintained in a manner to enable identification of statistical information on motor vehicles actually run in the Island.

(f) Safe Custody of Motor Vehicle Files

Even though the safe custody of the original files of motor vehicles registered daily by the Department is an essential function, most of the original files of motor vehicles are either not available in the custody of the Department or disappeared. That role had not been adequately performed by the Department.

(g) Key Function to be Performed by the Reward Fund

Out of the key functions to be performed by the Reward Fund, the following functions had not been performed.

- i. Even though the primary objective of establishment of Reward Fund is the minimization of wrongful acts committed by persons who are engaged in fabricating, manufacturing, assembling, innovating, adapting, modifying or changing the condition of a Motor vehicle without obtaining the required approval of the Commissioner General of Motor Traffic, detecting the persons who are engaged in such acts and taking legal action against such persons, the Department had and taken any such action whatever.
- ii. Even though the creation of persons who provide information to detect persons committing wrongful acts regarding motor vehicles and encouraging them to provide to such information and encouraging the officers to take action against the persons engaged in such wrongful acts had been expected them in establishment of the fund, the Department had not taken any activities with a view to encouraging the persons who supply such information or the officers.

3.7.2 Planning

Action not taken in Compliance with the Annual Action Plan

Action in compliance with the Annual Action Plan had not been taken in the following instances.

- (a) Even though a sum of Rs. 0.5 million had been made in the Annual Action Plan for the vehicle villages concept, no utilization had been made for that purpose in the year under review.

- (b) Provisions of Rs. 7 million had been made for the Deyata Kirula Programme which had not been included in the Action Plan prepared for the year 2012 and a sum of Rs. 2,768,082 out of that had been utilized.
- (c) Even though an estimate of Rs. 100 million had been made in the Annual Action Plan for decentralization of District Offices, that had not been done during the year under review.

3.7.3 Computer System for Performance of Functions including Registration and Transfer of Motor Vehicles

The following deficiencies in the computer system used for performance of functions including the registration and transfer of motor vehicles were observed.

- (a) The computer system had not been designed in a manner to ensure the direct capture of information received by the Department from the Customs Computer Network and for the prevention of alteration of information in the system.
- (b) The programs and systems had not been designed in a manner to ensure correctness and transparency in any alterations made to the information of registered motor vehicles.
- (c) An adequate methodology designed for the prevention of unauthorized access and alterations, feeding data to the computer without input Registers, unauthorized alteration of data and feeding new data by gaining access to the Regional Offices.
- (d) An adequate control had not been established to ensure the use of the computer system only for authorized purposes, limiting access to the system only to the authorized persons, the use of only the authorized programs and to ensure a fair confirmation that information is recognized in the preparation and that they are corrected.

- (e) Action had not been taken to initiate courses of action to improve the computer knowledge and understanding of the Departmental Officers and for strengthening of the General Control and Application Control methodologies that should be introduced to a computer system including handbooks on computer programs.

- (f) The important information for the registration of an imported motor vehicle such as the year of manufacture, country of manufacture and the cylinder capacity had not been linked for automatic transmission from the Customs Computer Network to the computer network of the Department of Motor Traffic. This situation had allowed opportunities to the responsible officers of the New Registration of Motor Vehicles Division to register motor vehicles by altering the information including the year of manufacture. Over 200 instances of serious malpractices committed by making such alterations were revealed through audit test checks.

- (g) An examination of the computer system for the new registration motor cycles revealed that despite the linkage of information on imported motor cycles such as the chassis number, the engine number, etc. from the Custom Computer Network to the Department of Motor Traffic, the responsible officers of New Registration of Motor Cycles Division had ample opportunities for the registration of Motor Cycles imported without the payment of custom duty or those illegally assembled.

3.8 Deficiencies in the Operation of Bank Accounts

Action in terms of Financial Regulation 396 (c) had not been taken on 06 cheques totalling Rs. 1,225,656 issued but lapsed for more than 06 months.

3.9 Transactions of Contentious Nature

Certain transactions executed by the Department had been of contentious nature. The particulars relating to several such transaction revealed during the course of test checks are given below.

- (a) According to the Motor Traffic Act (Cap. 208) and subsequent amendments thereto, when a motor vehicle is registered a period of 30 days or more after its import, a fee for the delay should be recovered for the registration of that motor vehicle. But the Department had not charged the late fee continuously for the registration of motor cycles. Even though the large loss caused there from to the Government was pointed out by audit queries, the Department had not taken action to recover the late fees.

- (b) In the English letter series introduced, all motor vehicles with numbers other than those in which the total of 04 numbers amount to 13 should be registered action had not been taken to register motor vehicles under 40 identification numbers in the series K1 – 5001 to K1 9999 and KV – 7001 to KW – 0658. Accordingly, outside the audit test, a large number of motor vehicles have not been registered under motor vehicle identifications numbers. As such it was observed that a greater risk existed the possibility of fraudulent registration of illegally imported motor vehicles by using those omitted motor vehicle numbers or the possibility of running motor vehicles by using a fraudulent registrations certificate due to the registration of motor vehicles by omitting certain identification numbers.

- (c) Even though the chassis numbers of the motor vehicles sold by the Central Disposal Division of Sri Lanka Customs should be blacklisted and CMT numbers should be given included as registration status bought from auction it had not been so done in connection with 20 motor vehicles.

- (d) Three used motor vehicles registered by the Department of Motor Traffic had been sold by auction by the Central Sales Division of Sri Lanka Customs on 22 May 2010. Nevertheless three other motor vehicles had been registered in the Department of Motor Traffic under the vehicle identification numbers attached to the motor vehicles sold by auction.

- (e) In the change of the ownership of motor vehicles, the printed date of the certificate, according to the computer system, is automatically printed. An examination of the registration certificates of 2, 111 motor vehicles of the 302 numeral series revealed 84 instances where the change of ownerships had been effected even after the printed date.

- (f) Two instances in which certain important information such as the cylinder capacity and year of manufacture of the motor vehicles had not been included in the registration certificates.

- (g) Two instances in which the change of ownership of motor vehicles had taken place prior to the date given in the registration certificate as the date of registration in the Department of Motor Traffic.

- (h) There were instances in which more than three transfers of the same motor vehicle on the same date had taken place.

- (i) According to the audit inspections, out of 61 blacklisted motor vehicles 08 motor vehicles had been taken off the blacklist. The reasons for such taking off had not been furnished to audit.

- (j) According to the computerized information system of the Department, certain motor vehicles said to be imported under the previous entries and dates, had been registered in the Department of Motor Traffic on dates prior to the dates of import appearing in the Customs entry and 82 instances of such registrations were observed.

3.10 Irregular Transactions

Certain transactions executed by the Department had been devoid of regularity. Several such instances observed are given below.

(a) Deviation from the Procurement Procedure

Twenty registration certificates printers had been purchased at a cost of Rs. 11,669,540. Even though the performance guarantee in that connection should have been Rs. 583,477 or 5 per cent of the contract value, the performance guarantee produced had been for Rs. 100,000 only. Even though the machines should have been supplied within 30 days in accordance with the procurement conditions, a period exceeding 02 months had been taken for the supply of those printers.

(b) Instances without Authority

The following observations are made.

- i. Action had not been taken even up to 31 December 2012 for the recovery from the officers responsible for the approval and certification of the irregular payment of Rs. 78,360 as the combined allowance to the officers for participation in the matters relating to the Deyata Kirula Exhibition of the year 2011.
- ii. In terms of Sub- paragraph 06(c) of the Public Administration Circular No. 06/2006 of 25 April 2006, instructions on all allowances and incentive payments should be issued only after making inquiries from the National Salaries and Cadre Commission through the Ministry of Public Administration and Home Affairs. Nevertheless a sum of Rs. 128,146,204 had been paid as incentives to the staff in the year 2012 without taking such action.

3.11 Transactions of Fraudulent Nature

The particulars of transactions of fraudulent nature observed during the course of audit test checks are given below.

- (a) In the bulk import of used motor cycles and hand tractors under one customs, entry the information on the chassis numbers, engine numbers of such motor cycles and hand tractors included in the related packing list are altered with the co-operation of the officers for the preparation of counterfeit packing list with the chassis numbers and engine numbers of motor cycles and hand tractors imported to the country for registration.
- (b) In the registration of the motor vehicles imported to this country under the normal laws and rules in addition to the motor vehicles imported under the motor vehicle import licenses, in the Department of Motor Traffic, 29 instances of very serious irregularities committed by the introduction of ensuing years for the year of manufacture within the range of 01 year to 10 years were observed.
- (c) An audit test checks of the motor cars registered in May and June 2013 under the motor vehicle identification numbers KV-7001 to KW-0658 under chassis categories of NZT and NZE revealed that action had been taken for the fraudulent registration of 05 motor vehicles of the brands Toyota Alion, Toyota Premio and Toyota Corolla Axio illegally imported without the payment of customs duty using the numbers of 05 customs entries relating to the import of motor cycles and motor vehicle spare parts.
- (d) Action had been taken for the fraudulent registration in the Department of Motor Traffic 18 motor vehicles including two Toyota Land Cruiser and Prado Jeeps, two Mitsubishi Montero Jeeps and four Mercedes Benz motor vehicles either illegally imported without the payment of customs duty or assembled by the fraudulent use of the numbers of customs entries relating to the import of other motor vehicles.

- (e) The computer data of motor cycles registered under the old G, H and J series had been subtly altered and 03 modern luxury motor vehicles illegally imported had been fraudulently registered by entering the details of those motor vehicles to the computer.

- (f) An instance where an illegally imported luxury motor vehicle had been fraudulently registered by entering the information on such motor vehicle to the computers by subtly altering the data of old low value motor vehicles registered under the G,H and J English letter series.

- (g) In the registration of motor vehicles under the G, H and J English letter series, the registration of motor vehicles under certain numbers had been omitted due to various reasons, and 29 motor vehicles imported illegally without paying customs duty had been fraudulently registered by using such omitted numbers.

- (h) The issue of motor vehicle identification numbers under the English letter series in place of the issue of motor vehicle identification numbers under the numeral series was commenced in the year 2000. At the time of its commencement, the 302 series numbers for petrol motors cars had not been fully utilized for registration purposes. Those unused numbers had been used for fraudulent registration of motor vehicles illegally imported or assembled without paying customs duty. Two such doubtful cases were observed.

- (i) Even though motor vehicles had not been registered under the initially introduced English letter or numeral series where the total of the following 4 numbers amounted to 13, action had been taken for in fraudulent registration of luxury motor vehicles under such numbers.

- (j) Examination of the registration certificate in the computer system revealed that a motor vehicle owned by the Mahaweli Authority of Sri Lanka as at 15 December 2012 had been transferred in the name of another person on 19 September 2009. Accordingly it was observed that more than one motor vehicle with the same identification number of motor vehicle are used for running.

- (k) According to the information on obtaining the annual revenue licenses for registered motor vehicles and the payment of the luxury tax, it was observed that 02 Mitsubishi Montero motor vehicles either illegally imported or assembled without paying customs duty had been registered.
- (l) Action had been taken for the registration of a Mitsubishi Montero Jeep illegally imported or assembled without the payment of customs duty by using the registration number of a motor vehicle taken off from running due to an accident or other reasons.
- (m) Action had been taken for the registration of a Hummer motor vehicle illegally imported without the payment of custom duty irregularly by the Department. The file on that motor vehicle had been misplaced.
- (n) A large number of irregularities had been committed by the Department of Motor Traffic by altering the information on motor vehicles including chassis numbers transmitted to the Department of Motor Traffic through the computer network of Sri Lanka Customs. One such instance observed related to the registration of over 158 motor vehicles imported under the import permits issued to places of religious worship by removing the conditions of the permit.
- (o) The following irregularities were observed in connection with the registration of motor vehicle imported on import permits issued under the Gift Scheme.
- i. The conditions of motor vehicle import licenses had been irregularly removed in 158 instances.
 - ii. There were 150 instances in which the first registration had been done in the names of persons other than the license holders.

- iii. Even though the sale or transfer of motor vehicles imported under the above scheme is not allowed until the elapse of five years after the first registration, 29 instances of the transfer of motor vehicles to other persons by breaching those conditions during that period itself were observed.
 - iv. There were 120 instances of serious irregularities committed by the erroneous substitution of the years of manufacture of the motor vehicles imported under the above scheme in the ranges of 01 year to 05 years.
 - v. The files of 03 motor vehicles imported under the above scheme and registered in the Department had not been furnished to audit.
 - vi. Examination of the file of a motor vehicle imported under an import license revealed that it had been registered by altering the actual year of manufacture 2005 as 2008.
 - vii. According to the information in the computer system on 04 April 2013, the year of manufacture of a motor vehicle imported on an import license and registered in the Department had been given as year 2004. But the examination of the computer system on 18 April 2013 revealed that it had been altered as the year 2007.
- (p) One hundred and sixty four millet model 4 wheel tractors imported had been registered under the Massey Ferguson model.
- (q) Twenty six motor vehicles including 08 BMW, Toyota Prado and Mercedes Benz super luxury motor vehicles had been fraudulently registered by using fraudulently altered customs entries and other documents relating to the customs import entries connected with the import of motor cycles and other goods.
- (r) Eight motor vehicles imported for special purposes other than for the transport of goods and passengers under customs code No 8 705 had been fraudulently registered in the Department of Motor Traffic as dual purpose motor vehicles. Such motor vehicles imported

for special purposes are normally charged customs duty between Rs. 100,000 to Rs. 200,000 under the customs Code No. 8705 and customs duty between Rs. 1,500,000 to Rs. 5,000,000 is charged for motor vehicles imported as dual purpose motor vehicles under customs code No. 8702 or No. 8704. As such it was observed that a large amount of tax had been defrauded to the Government through this practice.

- (s) Even though motor vehicle spare parts including motor vehicle chassis and engines had been imported through customs Code No. 8706..00.03 under the customs entry No. CBMVI-5636 dated 29 December 2009, 23 motor vehicles that appears to be illegally assembled with those spare parts had been registered as the Department of Motor Traffic at dual purpose motor vehicles.
- (t) Motor vehicles spare parts including 08 Land Rovers, trucks, and double cabs had been imported under the customs entries No. CBMVI-570 of 03 February 2009 and No. CBMVI-207 of 12 January 2009. Out of those 08 motor vehicles, two motor cars had been fraudulently registered in the Department of Motor Traffic as two luxury Jeeps.
- (u) An audit test check of the motor vehicle registered from 22 November 2011 to 25 April 2012, revealed that the recovery of the tax from 03 motor vehicles subject to the luxury tax and 22 motor vehicles subject to semi luxury dual purpose had been completely omitted. The tax loss to the Government from such omission amounted to Rs. 940,000.
- (v) Three instances of sending undated form MTA 6 by the transferors of motor vehicles were observed.
- (w) The prevention of sale, transfer or negotiating of the motor vehicle with chassis No. KDH 200-004118 within 05 years from the date of registration had been removed by a letter from the Controller of Imports and Exports addressed to the Commissioner General of Motor Traffic. Nevertheless the Controller of Important Exports had confirmed to the audit that he had not issued the said letter. Accordingly action had been taken on a fraudulent letter to remove the conditions imposed on the motor vehicle.

- (x) An audit test check of Form MTA 6 applications sent by the registered owners of motor vehicles to the Commissioner General Motor Traffic revealed that in 33 instances applications for registration under new owner had not been made despite the elapse of the period of 14 days allowed.
- (y) There were 14 instances where differences existed between the dates of from transfers according to the form MTA6 applications sent by the registered owners to the Department and the dates of transfers shown in the registration certificates of motor vehicles. As such the MTA 6 applications sent by the new owners for the registration of the change of ownership had fraudulently altered the dates either to avoid payment of penalty for delay or for the recovery of a lesser penalty.
- (z) Despite the change of ownership of motor vehicles had taken place twice, three instances of irregularities committed by concealing the first instance and registering only the second instance were observed. Considering this position on the overall, it appears that the transfer of motor vehicles is not done legally and that the transfers are done through open transfers.
- (aa) A large number of unused receipt books relating to the payment of luxury, semi – luxury and semi - luxury dual purpose tax had been misplaced and the Department had detected two instances of the use of missing receipts fraudulently for the payment of the tax. Nevertheless the Department had not taken action to ascertain the number of receipt books missing and inquire into the lost books and identify the officers responsible for such losses and to take action in terms of Financial Regulation 343.
- (bb) Even though a double cab motor vehicle subject to the semi-luxury dual purpose tax should be registered as a dual purpose motor vehicle in terms of provisions in the Motor Traffic Act, it had been registered as a motor lorry. Due to the registration as a lorry, semi-luxury dual purpose tax had not been recovered. As such the semi luxury dual purpose tax for three years amounting to Rs. 27,000 had not been recovered.
- (cc) Two motor vehicles had been registered by using the chassis No. SU 14-108288.

3.12 Uneconomic transactions

The particulars of transactions executed devoid of economy revealed during the course of test checks are given below.

- (a) A sum of Rs. 698,863 had been paid to a private institution for the supply of food and accommodation to 19 Departmental Officers at the rate of Rs, 1,670 per officer per day in connection with participation in the Deyata Kirula National Development Exhibition from 28 January to 13 February 2012. A fruitless expenditure of Rs. 257,240 had been incurred for food and accommodation for 172 man days in which the officers had not participated.

- (b) Even though hand bills costing Rs. 698,863 had been printed for the Deyata Kirula and other mobile services of the year 2012 a physical audit inspection of the year 2013 revealed that a stock of handbills exceeding 40, 000 valued at about Rs. 270,000 had been stocked in the record rooms stores.

- (c) Even though unusual expenditure amounting to Rs. 2,348,700 in the year 2011, Rs. 2,707,985 in the year 2010 and Rs. 2,227,479 in the year 2009 had been incurred for the construction of the Deyata Kirula Exhibition Stall (except the expenditure on the main stall) the expenditure incurred on the construction of the main stall including the departmental section by the Ministry through the procurement procedure amounted only to Rs. 1,377,000. As the work in respect of the year 2012 had been done at a cost lesser by more than Rs. 1 million than in the preceding years, it was observed that an uneconomic expenditure exceeding Rs. 3 million had been incurred in the preceding three years.

3.13 Human Resource Management

The position of the approved cadre and the actual cadre as at 31 December 2012 had been as follows.

Category of employees	Approved Cadre	Actual Cadre	Number of Vacancies
Senior Level	26	21	05
Tertiary level	23	07	16
Secondary Level	788	766	22
Primary Level	127	114	13
Total	964	908	56

The following observations are made.

- (a) Action had not been taken even by the end of the year under review to fill 56 vacancies.
- (b) Even though the approved cadre for 5 categories of employees had been 06 officers, the entire cadre had been vacant.
- (c) Even though the approved cadre in the posts of Senior Motor Traffic Examiners had been 16 vacancies in 75 per cent out of that or 12 posts remained vacant.