

**Head 114- Ministry of Transport and the Departments under that Ministry.  
Auditor General's Report-Year 2013**

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This report consists of two parts.

Part 1 – Summary report relating to the accounts of the Ministry of Transport and the Departments under that Ministry.

Part 2 – Detailed Report relevant to Each Head.

**Part 1**  
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**Summary report relating to the accounts of the Ministry of Transport and the Departments under that Ministry.**  
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**1. Departments under the Ministry**  
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Head -----	Department -----
306	Sri Lanka Railway Department
307	Motor Traffic Department

**2. Accounts**  
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**2.1 Appropriation Accounts**  
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**(a) Total Provision and Expenditure**  
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While the total net provision made for the Ministry and the two Departments under the Ministry amounted to Rs.48,071,460,000 out of that a sum of Rs.44,621,872,247 had been utilized as at the end of the year under review. Accordingly, savings of the Ministry and the each Department out of the net provision had been Rs.304,653,769 and Rs.1,582,323,240 or had been ranged between 05 per cent and 12 per cent of the net provision. Details are shown below.

Head -----	As at 31 December 2013 -----			Servings as a Percentage of Net Provision -----
	Net Provision -----	Utilization -----	Servings -----	
	Rs.	Rs.	Rs.	
114	13,030,400,000	11,448,076,760	1,582,323,240	12.14
306	32,541,960,000	30,979,349,256	1,648,514,240	5.07
307	2,499,100,000	2,194,446,231	304,653,769	12.19
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<b>Total</b>	<b>48,071,460,000</b>	<b>44,621,872,247</b>	<b>3,535,491,249</b>	<b>7.35</b>
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## 2.2 Revenue Accounts

### Estimated and Actual Revenue

While revenue totalling to Rs.13,039 million had been estimated for 04 Revenue codes for the year 2013 by the Ministry and the 02 Departments under that Ministry, a revenue totalling Rs.13,150 million had been collected during the year under review. Details are shown below.

Revenue Code	as at 31 December 2013			Excess/(Deficiency) as a Percentage of the Estimate
	Estimated Revenue	Actual Revenue	Excess/(Deficiency)	
	Rs.	Rs.	Rs.	
20.01.01.00	4,760,000,000	5,423,293,490	663,293,490	14
20.03.02.14	6,575,000,000	6,525,205,404	(49,794,596)	(01)
10.03.07.04	62,000,000	55,614,559	(6,385,441)	(10)
10.03.01.00	1,642,000,000	1,145,754,012	(496,245,988)	(30)
<b>Total</b>	<b>13,039,000,000</b>	<b>13,149,867,465</b>	<b>110,867,465</b>	<b>(01)</b>

## 2.3 Advance Accounts

### 2.3.1 Advances to Public Officers Accounts

#### Limits Authorized by the Parliament

Limits authorized by the Parliament on the Ministry and the two Departments under the Ministry relating to Advances to Public Officers Accounts and actual values are shown below.

Item No.	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
11401	8,000,000	1,485,290	2,600,000	4,568,643	33,500,000	20,480,288
30601	570,000,000	280,353,855	375,000,000	355,963,271	1,852,000,000	678,115,531
30701	22,000,000	22,000,000	15,000,000	18,172,201	110,000,000	87,713,372

### 2.3.2 Stores Advance Account

A Stores Advance Account had been maintained by the Railway Department under the Ministry.

#### (a) Limits Authorized by the Parliament

Limits authorized by the Parliament for the Stores Advance account relevant to the Railway Department and the actual values are shown below.

Item No.	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
30602	1,700,000,000	1,673,843,600	850,000,000	2,503,979,400	5,640,000,000	5,405,729,386

### 2.4 Imprest and General Deposits Accounts

#### 2.4.1 Imprest Account

Balance of the Motor Traffic Department's Imprest Account No.7002/0000/00/0075/0012/000 as at 31 December 2013 was Rs.78,490.

#### 2.4.2 General Deposits Account

Balance of the Motor Traffic Department's Deposits Account No.6000/0000/00/0015/0161/000 as at 31 December 2013 was Rs.280,346,078.

**Part 2**  
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**Detailed Report relating to each Head**  
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**1. Head 114 - Ministry of Transport.**  
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**1.1 Scope of Audit**  
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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 2013 was carried out in pursuance of provisions in Article 154 (1) 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 September 2014. 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**  
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The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts, the Revenue account and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

**1.3 Audit Observation**  
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According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) and (b) and major audit findings appearing in paragraphs 1.4 to 1.11 herein, the Appropriation Account and the reconciliation statements of the Ministry of Transport had been prepared satisfactorily.

**(a) Budgetary Variance**  
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The following observations are made.

- (i) The entire provision of Rs.27,250,000 made available for 06 Items of Expenditure had been saved.

- (ii) Due to excess provision made for 34 Items of Expenditure, savings after utilization of the net provision relating to those Items of Expenditure was in a range between 08 per cent and 99 per cent.

**(b) Reconciliation Statement relating to Advances to Public Officers Account**  
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While the total of recoveries in arrears according to the Reconciliation Statement relating to Advances to Public Officer Account - Item No.11401 amounted to Rs.180,179, the Ministry had failed to recover those arrears of balances.

**1.4 Assets Management**  
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Following weaknesses were observed in sample audit tests carried out with regard to assets belong to the Department.

**(a) Conducting Annual Board of Survey**  
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Following observations are made.

- (i) The Board of Survey for the year 2013 should be carried out before 31 March 2014 and those reports should be submitted to the Audit in terms of the Public Finance Circular No. 441 dated 09 December 2009 as amended by letter No.PF/Board of Survey/01 dated 17 December 2010. However, the Transport Ministry had not sent those reports even as at 31 March 2014. The last Board of Survey carried out had been in respect of the year 2012.
- (ii) Although the Board of Survey reports for the year 2012 had been submitted to the Auditor General, goods belong to the office of the Ministry of Transport had not been surveyed.

**(b) Improper use of Assets belongs to other Institutions.**  
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Four vehicles owned by the Sri Lanka Railway Department had been used by the Ministry of Transport without proper approval.

**(c) Non-disposal of Unserviceable goods.**  
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The Ministry had failed to take action even as at 20 May 2014, date of audit, in terms of Financial Regulation 772 for disposal of 225 units of goods identified as unsuitable for use during the year 2012. The Ministry had informed the audit that certain assets were sold during the year under review having called for quotations from staff members in the institutions under the Ministry and that paper advertisements were published in

February 2014 for the sale of the items left behind. It was further informed that no offers were received and therefore those items are kept in the Ministry premises.

## 1.5 Non-compliance

### Non-compliance with Laws, Rules, Regulations etc.

Instances of non-compliance with laws, rules and regulations observed in audit sample checks are analyzed below.

Reference to Laws, Rules and Regulations etc.	Value	Non-compliance
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	Rs.	
<b>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
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Financial Regulation 94(i)		- When the provision made available in annual estimate is inadequate, payments should be made after obtaining provision through the Virement Procedure or Supplementary Estimates. However payments of Rs.4,744,911 had been made in excess of the provision available for 12 Item of Expenditure and provisions had been transferred following the Virement Procedure later.
<b>(b) Public Administration Circulars</b>		
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Circular No. 41/90 dated 10 October 199	3,335,364	Although 5,776 litres of petrol valued at Rs.929,529 for 06 vehicles and 19,588 litres of diesel valued at Rs.2,405,835 for 13 vehicles respectively had been used, fuel consumption tests of those vehicles had not been carried out in terms of the Circular.

## 1.6 Weaknesses in Implementation of Projects

Instances of abandonment of projects without commencement, abandonment of projects without completion and project delays observed in audit sample checks are shown below.

### Delays in Implementation of Projects

The Following delays in Implementation of project by the Ministry were observed.

Project	Estimated Cost	Date commenced	Date to be Completed	Expenditure as at 31 December 2013	Reasons for the Delay
	Rs. Million			Rs. Million	
Matara - Kataragama Project (from Beliaththa to Kataragama)	92,252.29	2006	2017	Nil	According to the Cabinet approval dated 02 August 2013, proposed ii and iii stages of the Railway line from Beliaththa to Kataragama had to be performed on the results of the feasibility study on environmental impact. Institution entrusted with that study had not submitted the that report to the Ministry even up to 11 February 2014.
Horana – Kottawa Railway line	11.00	2006	30 October 2008	6.00	Feasibility study on environment work had not been commenced even as at 14 July 2014.
Railway line Kurunegala – Dambulla via Habarana	4,000.00	08 April 2008	31 January 2009	23.5	Although the environmental feasibility study works had been entrusted to affirm of contracts, that firm had withdrawn. Action had not been taken to entrust that work to another firm.
Colombo Hambanthota Kelaniveli Railway line	5,750.00	08 April 2008	2016	5.40	Action had not been taken to perform the feasibility study works even up to 14 July 2014.
Medawachchi Trincomalee Railway line	9.00	01 January 2010	28 November 2012	11.00	Although the feasibility report had been received, future work relating to that had not been commenced.
Wellawaya, Bibile, Badulla Railway line	9.00	01 February 2011	30 December 2012	1.2	Although the preliminary inspection report regarding the project had been given to the Ministry by a consultancy firm on 21 March 2014, action had not been taken to give the final report by that firm even up to 11 November 2014.

## 1.7 Performance

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### Key Functions not Adequately Performed

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An adequate attention had not been paid during the year under review to accomplish the following functions which had been identified as key functions of the Ministry.

- (a) Action had not been taken to setup and implement a National Integrated Railway Passenger and Goods Transport System.
- (b) Action had not been taken to provide a passenger ferry service.

## 1.8 Weaknesses in Control of Vehicles

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Following lapses were observed in audit sample checks carried out with regard to the vehicles controls of the Ministry.

### (a) Weaknesses in receiving the Condemned Items to the Stores.

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A proper system had not been followed in handing over the spare parts and tyres dismantled in repairing vehicles to the stores. Action had not been taken in terms of financial regulations up to 30 August 2014, to auction the spare parts handed over to the stores from the commencement of the year 2013.

### (b) Weaknesses in Carrying out Repairs.

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A vehicle belongs to the Ministry had been referred to 03 garages and repaired in 09 instances having spent a sum of Rs.913,761, during the period commencing from 13 May 2013 to 30 October 2013. While the estimate submitted before making that payment and the estimate submitted after repairs had not been certified by a Technical Officer, it also had not been certified that the repair work had been carried out correctly.

### (c) Non-disposal of Condemned Vehicles

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Four vehicles had been parked in the premises of the Ministry over a period of 02 years, as the vehicles were not in running condition. While the vehicles had been left opened to natural disasters, action had not been taken to repair and bringing those to running condition or for disposal up to 14 July 2014.

## 1.9 Un-economic Transactions

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Due to the delay in settlement of compensation for acquisition of land for the construction of railway line from Matara to Beliaththa, a sum of Rs.2,748,734 had been paid to the landlords as interest for the delayed period.



### 1.10 Management Weaknesses

#### Non-reimbursement of fuel expenses and repair expenses to the Railway Department.

Four thousand and twenty one Liters of fuel (2,008 Litres of Petrol and 2,013 Litres of Diesel) valued at Rs.569,272 had been provided by the Ministry to the staff of the Hon. Minister and to the staff of the Ministry during the year 2013 by the Sri Lanka Railway Department. A sum of Rs.134,619 spent by the Railway Department for repairing the vehicles belong to the Ministry too, had not been reimbursed to the Railway Department by the Ministry up to 31 December 2013.

### 1.11 Human Resources Management

#### Approved and Actual Cadre

Cadre position as at 31 December 2013 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Excess
(i) Senior level	25	19	06	-
(ii) Tertiary Level	05	04	01	-
(iii) Secondary Level	137	90	47	-
(iv) Preliminary Level	45	38	09	02
Others (casual/temporary Contract basis	03	03	-	-
<b>Total</b>	<b>215</b>	<b>154</b>	<b>63</b>	<b>02</b>

Following observations are made.

- (i) The Ministry had failed to fill 63 vacant posts as at the end of the year under review.
- (ii) Although there were 09 vacancies at preliminary level in the Transport Ministry, 50 employees who got substitute appointments in the Railway department had been attached to the Transport Ministry and salaries, overtime and allowances had been paid from the Railway Department. Those expenses had not been reimbursed to the Railway Department by the Ministry.

## **2. Head 206 – Sri Lanka Railway Department**

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### **2.1 Scope of Audit**

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The audit of the Appropriation Account and the Revenue Account including the financial records, reconciliation statements books, registers and other records of the Sri Lanka Railway Department for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154(1) 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 03 October 2014. 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, the Revenue account and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

### **2.3 Audit Observation**

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According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (j) and major audit findings appearing in paragraphs 2.4 to 2.14 herein, the Appropriation Account, the Revenue Account and the Stores Advance Account and Reconciliation statements of the Sri Lanka Railway Department had been prepared satisfactorily.

#### **(a) Presentation of Accounts**

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The following accounts which should be presented to audit before 31 March 2014 by the Sri Lanka Railway Department but those accounts had been submitted after a delay.

Head/Revenue Code/Item Number	Name of the Account	Date of Submission	Delay  Month
306	Appropriation Account	06 June 2014	02
20:01:01:00	Revenue Account	04 July 2014	03
30601	Reconciliation Statement relating to Advances to Public Officer Account	03 June 2014	02
30602	Stores Advance Account	04 July 2014	03

**(b) Lack of Evidence for Audit**

Six Transactions totalling to Rs.1,878,520,126 could not be satisfactorily vouched in audit due to lack of necessary evidence such as agreements, confirmation of balances etc.

**(c) Replies to Audit Queries**

While replies had not been furnished to 68 audit queries issued during the year under review and 21 audit queries issued in prior years by the Sri Lanka Railway Department up to 31 March 2014, the quantifiable value of relating to those queries amounted to Rs.7,582,810,824.

**(d) Non-compliance with Limits**

Although a minimum limit of receipts had been authorized by the Parliament for the Advance Account Activity relating to Advances to Public Officer Account Item No. 30601, the Department had reported that a sum of Rs.355,963,271 was received as receipts as at the end of the year under review. Accordingly, it had not reached the minimum limit of receipts in a sum of Rs.19,036,729.

**(e) Budgetary Variance**

Following observations are made.

- (i) The entire provision of Rs.22,000,000 made available for 10 Items of Expenditure had been saved.
- (ii) Due to excess provisions made under 23 Items of Expenditure, savings after utilization of provisions were in a range between 25 per cent to 99 per cent of the net provisions relating to those Items of Expenditure.

- (iii) Acceptable and adequate explanations had not been given in the Appropriation Account with regard to savings under 15 Items of Capital Expenditure and 2 Items of Recurrent Expenditure totalling to Rs.571,221,487.
- (iv) Although the Chief Financial Officer had ensured that the physical existence of balance shown in the report on movement of non-current assets had been confirmed through the Annual Board of Survey carried out for the years commencing from 2004 to 2013, in 12 Sub-departments the Board of Survey for the year 2013 had been appointed in January and February 2014, after submission of accounts.

**(f) Imprest Accounts**  
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Although the ad hoc Imprest obtained should be settled immediately after completion of the relevant work in terms of Financial Regulation 371, the total of unsettled Sub Imprest from the year 1998 to year 2013 amounted to Rs.31,034,324.

**(g) General Deposits Account**  
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Following observations are made.

- (i) Action had not been taken in terms of Financial Regulation 571 with regard to deposits totalling Rs.42,609,283 that had elapsed a period more than 2 years.
- (ii) A list all lapsed deposits at the end of each half year had not been prepared in terms of Financial Regulation 570.

**(h) Revenue Accounts**  
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According to the Revenue Account presented to the audit, revenue totalling to Rs.2,628 million was in arrears and those arrears of revenue was relating to the time period ranging from the year 1962 to the year 2012. The Department had failed to recover those arrears even up to the end of the year under review. Following observations are made in this connection.

- (i) Half yearly statement of arrears relating to one revenue code had not been prepared in terms of Financial Regulation 128(2).
- (ii) Although the total revenue for the year 2013 had been increased by 11 per cent when compared with the preceding year, the receipt of arrears of revenue included in the revenue received during the year 2013 amounted Rs.209,394,861 and it had been 3.8 per cent of the total revenue.
- (iii) When reserving seats through warrants, in situations where there is no seat of the class requested by the passenger, a seat in a class lower than that had been reserved and the fare relating to the class mentioned in the warrant had been

recovered. (i.e. For a first class railway warrant, a second class seat ticket had been given having recovered first class fare in Batticaloa Railway Station). It was observed that the Railway Department is receiving excess revenue by recovering a fee higher than the fee recoverable by following this practice. For 05 days alone examined in audit, commencing from 20 November 2013 to 24 November 2013, a sum of Rs.444,970 had been collected as excess revenue.

- (iv) Reconciliation of revenue during a period of time ranging from 02 months to 45 months with in March 2010 to the end of the year under review, relating to parcel transport revenue in 216 railway stations, season ticket revenue in 263 railway stations, road transport revenue in 301 railway stations had not been completed. Due to that, it had not been possible to establish the accuracy of the revenue for number of years.
- (v) The Department had not taken action to recover arrears of revenue totalling Rs.928,348,974 as fees for transport of goods for the year under review comparing amounting to Rs.374,729,794 from 14 Institutions and being fees for transport of goods from 32 institutions for the period commencing from the year 1980 to 31 December 2013, amounting to Rs.553,619,180.
- (vi) When preparing the Monthly Statement of Railway Stations General Account, revenue reports of 23 railway stations relating to 49 months had not been submitted.
- (vii) While the Viceroy Train belongs to the Department had been leased out annually to a private company, action had not been taken to recover the sum of Rs.6,092,801 due to the Department for maintenance work of the engine and the compartments for the period from the year 2006 to 31 December 2013.
- (viii) While arrears of lease rent for the year under review on account of leasing out 08 perches in extent in Negombo Railway Reservation under lease agreement LB 36111 for the year 2012 and 2013 amounted to Rs.89,400, action had not been taken to recover that amount.
- (ix) While the arrears lease income as at 31 December 2013 for the trade stalls and vehicle parks carrying on at the premises of the Veyangoda Railway Station amounted to Rs.224,626, action had not been taken to recover that amount.
- (x) A sum of Rs.51,331 was in arrears as at 31 December 2013 on account of lease installments due from lessees, for leasing out land around Kanthale Railway Station. Action had not been taken by the Department to recover that amount.
- (xi) A sum of Rs.4,862,286 was in arrears as at 31 December 2013 as Lease Income on account of leasing out about 13 blocks of land belong to the Railway Department situated around Batticaloa and Valachchanai Railway Stations to Government owned Corporations, Boards and Ministries and Departments of the Government. Similarly, a sum of Rs.10,795,203 was in arrears as at 31 December 2013 on account of such 53 blocks of land leased out to private parties. Action had not been taken to recover that income.

- (xii) Two blocks of land nearby Ragama Railway Station had been leased out to a private party from 12 August 2012. While one block of land had been leased out to use as a vehicle park and lease rent of Rs.28,800 was recoverable from that firm as at April 2013. Lease rent of Rs.264,600 was recoverable from 01 July 2013 being monthly rent for 06 months in respect of leasing out the other block of land nearby that Railway Station for a monthly rent of Rs.44,100. Action had not been taken to recover these arrears of income.
- (xiii) While the total of arrears lease rent due for leasing out canteens, stalls, book-shops, small trading booths, milk bars and other entities belong to the Department during the years prior to the year 2013 amounted to Rs.12,848,623, Proper course of action had not been taken to recover that income.
- (xiv) The total arrears of rent due in respect of telephone booths fixed within the departmental premises by various telephone companies as at the end of the year under review amounted to Rs. 5,958,975. Action had not been taken to recover those arrears even as at the end of the year under review.
- (xv) The total amount recoverable as rent, electricity charges and deposits in respect of 10 teller machines fixed prior to the year under review in Railway Stations by two state banks and a privies bank as at 31 December 2013 amounted to Rs.19,578,000.
- (xvi) While 02 canteens in the Colombo Fort Railway Station had been leased out by the Department since February 2009 to a catering firm, a sum of Rs.1, 221,100 as arrears of electricity charges, and Rs.1,663,000 being demurrage at the rate of Rs.441,900 for days delaying was due to be recovered. The Department had failed to recover that income.
- (xvii) While the arrears of lease rent due for leasing out stores belong to the Department to private and state institutions as at the end of the year under review amounted to Rs.10,420,954, arrears of lease rent due in respect of years prior to the year under review had been Rs.82,281,169. A proper procedure had not been introduced by the Department for recovery of those amounts.
- (xviii) The Department had failed to recover arrears of income amounting to Rs.4,880,013 due from 16 stalls vested and/or to be vested on the basis of notices of ejection issued on the basis of the revised the rent effective from 01 January 2006.
- (xix) Responsibility relating to collection of revenue from Rail Bus Service from Batticaloa to Galoya had been assigned to Railway Guards. Evidence were not made available to support that daily revenue collected by them in respect of 55 days during the period from January to September 2013 had been handed over to the stationmasters.

**(i) Reconciliation Statement relating to Advances to Public Officers Account**

Following observations are made with regard to the reconciliation statement as at 31 December 2013 relating to Item No. 30601 - Advances to Public Officers Account submitted to audit.

- (i) According to the reconciliation statement as at 31 December 2013, the total of balances in arrears as at 31 December 2013 amounted to Rs.73,631,897. The Department had failed to recover those balances in arrears.
- (ii) While the balance as at 31 December 2013 according to the departmental books had been Rs.753,725,047, according to Treasury Print out it had been Rs.757,902,852. Accordingly, a difference of Rs.4,177,805 was observed. Although that difference had been existed since the year 2004, the Department had not taken necessary steps to settle that up to 31 December 2013.
- (iii) Following differences were observed when examining the list of balance outstanding submitted to audit and the balances shown in the age analysis.

	<b>Total in the List of Non-recovering balances</b>	<b>Total in the List of Age Analysis</b>	<b>Difference</b>
	----- <b>Rs.</b>	----- <b>Rs.</b>	----- <b>Rs.</b>
Retired and deceased	41,594,896	42,213,583	618,687
Interdicted	9,572,864	10,610,709	1,037,845
Left on transfer to other Ministries or Departments.	2,114,574	458,042	1,656,532

- (iv) Although the schedules of list of individual balances should be prepared separately according to each category of loans shown in the classification summary of individual balances in terms of the Public Enterprises Circular No. 94 dated 10 August 1994, and submitted together with classification summaries, any individual list of balances had not been prepared and submitted relating to the offices of the Superintendents of Transport Colombo and Anuradhapura.
- (v) Any step had not been taken to recover the balances that had been outstanding over a long period, totalling Rs.9,572,84, due from 336 employees who were interdicted in 13 Sub-departments.
- (vi) Any step had not been taken to recover the balances that had been outstanding over a long period, totalling Rs.160,648, due from 336 employees who were dismissed in 02 Sub-departments.
- (vii) Any step had not been taken, in terms of clauses 4.2.5., 4.4 and 4.5 of Chapter XXIV of the Establishment Code, to recover the balances in arrears totaling

Rs.41,594,896 out of loans taken by 672 deceased or retired employees in 18 Sub-offices.

- (viii) In instances where it is not possible to recover the dues to the government from the principal debtors, those amounts should be recovered from the guarantors in terms of Clause 4.5 of Chapter XXIV of the Establishments Code. However loan balances amounting to Rs.19,970,942 of 2,817 officers in 18 Sub-offices who had vacated service, had not been recovered resorting to such action.
- (ix) In terms of the Section 4.8 of Chapter XXIV of the Establishments Code, when a government officer has to be released for service to another Corporation or Board, if a loan or any other amount is remained to be settled, he should not be released until all such amounts are paid and settled. However, two officers served in the Nawalapitiya Sub-office of the Railway Department had been released without recovering the loan balances of Rs.58,940 that had been outstanding for over 05 years. Any course of action had not been taken in that connection up to 31 December 2013.
- (x) In terms of Clause 11.9 of Chapter XXIV of the Establishments Code, when the officer who obtained the property loan has submitted the deed to the Head of the Department, thereafter, it should be forwarded to the Land Registrar of the District where the property is situated to obtain the irrevocable power of attorney. However, 39 deeds of properties relating to property loans totalling Rs.10, 524,293 granted during the period from the 1998 to the year 2001 had not been sent for such registration.
- (xi) In terms of Clause 11.9.1 of Chapter XXIV of the Establishments Code, the Head of Department should ensure that the documents sent for registration of power attorney are returned back after duly registration without delay and that such process is completed within 6 weeks after the payment of loan. Although 14 deeds relating to property loans totaling Rs.4,234,500 paid during the period from the 1998 to the year 2001 had been sent for registration of irrevocable power of attorney, action had not been taken to obtain the irrevocable power of attorney up to 31 March 2014.
- (xii) Action in terms of National Budget Circular No. 118 dated 10 October 1994 had not been taken with regard to loan balances totalling Rs.2,265,744, due from officers who had left on transfers from 6 Sub-departments to other Ministries and Departments.

**(p) Reconciliation Statement relating to Stores Advance Account**

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Following observations are made in this connection.

- (i) Valuation of year end stock should be done after carrying out a physical examination covering all types of stokes or if not so, a continuous stock control system should be properly followed. The book value of Rs.4,182,377,408 had



been shown as the value of closing stock at the end of the year under review without following those requirements.

- (ii) Advances paid during the period from the year 1980 to the end of the year 2013 for purchase of goods, but not settled as at 31 December 2013 totalled to Rs.80,416,102. Value of advances so paid during the year under review, but not settled amounted to Rs.12,917,985. A proper course of action had not been taken to either settle these advances or to recover from the relevant officers even up to the end of the year under review.
- (iii) Action had not been taken even as at 31 December 2013 to adjust the stock with regard to a sum of Rs.145,846,502 paid as custom duty for importing goods during the period from the year 1993 to 31 December 2013.
- (iv) Un-settled custom duties in arrears for the period from the year 1993 to year 2013 amounted to Rs.24,199,554. Action had not been taken to settle those balances existing over a number of years even up to the end of the year under review.
- (v) While value of unsettled letters of credit for the period from the year 1993 to 31 December 2013 amounted to Rs.12,093,558, action had not been taken to settle those liabilities even as at 31 December 2013.
- (vi) While a balance of Rs.13,829,758 had been brought forward in the accounts over a number of years as losses occurred on account of out dated and unserviceable material, relevant steps had not been taken during the year under review for write-off of those balances.
- (vii) Stocks in stores were in a range between Rs.1,905 million to Rs.4,031 million during the period of past 09 years. It was observed that issues had been less than the purchases made during 08 years out of 09 years. Accordingly, stock in hand had been doubled during the period of 09 years.
- (viii) Although the average existing stock had been 305 per cent of the stocks issued, the Management had not paid attention for disposal of stocks which are not in use, having carried out a proper evaluation.
- (ix) Value of stock shown in the Account for the year under review had been Rs.4,182,377,408. Value of non-moving stocks and the slow moving stocks included in that had been Rs.185,199,808 and Rs.913,920,318 or 4.43 per cent and 21, 85 per cent of the total stock respectively.
- (x) Although the value of permanent road equipment had been Rs.4,472 million, any issues had not been made during the year under review.
- (xi) Although the value of opening stock of fuel and lubricants had been Rs.61.951 million, any issues had not been made during the year under review.
- (xii) Rate of Stock turnover ratio of all stock items during the year under review had been less than one.
- (xiii) While life span expired stocks, sundry units and material that should be identified as losses in terms of Financial Regulation 102 and 760 had been left opened to decay, action had not been taken to recover those losses from

officers responsible for the purchase of those stocks. Similarly, action had not been taken in terms of Financial Regulation relating to 51 items of goods misplaced and robbed during the period 1975 to 2013.

## **2.3 Good Governess and Accountability.**

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### **2.3.1 Annual Action Plan**

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Although an action plan should be prepared by the Sri Lanka Railway Department in terms of letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance; Action Plan for the year under review had not been submitted to audit even up to 27 August 2013.

### **2.3.2 Execution of Audit and Management Committee**

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Only 03 sessions of Audit and Management Committee had been held during the year 2013.

## **2.4 Assets Management**

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Audit sample checks carried out with regard to the assets of the Department, following weaknesses were observed.

### **(a) Idle and Under-utilized assets**

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It was observed in audit test checks that certain assets had been idle or under-utilized as classified below.

<b>Category of Asset</b>	<b>Number of Units</b>	<b>Period of Idle or Under-utilized</b>
(i) Land (acres)	1490	More than 25 years
(ii) Official Quarters	963	Period not provided
(iii) Car and Bus	02	More than 10 years
(iv) Machinery and Engines	43	More than 25 years

### **(b) Conducting Annual Boards of Survey**

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Following observations are made.

- (i). Even though according to the Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No. PF/Boards of survey/01 of 17 December 2010, of the Director General of Public Finance, the Annual Board of survey for the year 2013 should be conducted and the reports thereon should have been furnished to the Auditor General before 15 March 2014. Out of 861 branch offices of the Department only 276 branch offices had submitted the Boards of survey reports as at 31 May 2014. No action had been taken in terms of the Fi-

nancial Regulation 128 against the Officers responsible with regard to other branch offices of which Boards of survey reports had not submitted.

- (ii). Actions in terms of the Financial Regulation had not been taken on the excesses, shortages and other observations pointed out in the Reports of the Board of survey for the year 2012.
- (iii). Action in terms of Financial Regulation 771(2) had not been taken on unusable goods remained in the stores for several years of Department of Railway identified in the Board of Survey reports.
- (iv). Actions had not been taken on goods in disposable condition and by sale of these goods to the officers of the institute in terms of Financial Regulation 747 or by public auction in terms of Financial Regulation 772 and destroy of goods in terms of Financial Regulation 770 which cannot be disposable as above.

**(c) Assets given to Outside Parties**

Instances of irregular release of assets belongs to the Department of Railway to external parties, were observed. Details appear below.

Category of Asset	Number of Assets/ Units/Quantity	Institution which provided with the asset	Value	Period
			<b>Rs.</b>	
(i) Buildings	01 Acre and 25.75 Perches	Ministry of Transport	6,600,000	Not mentioned
(ii) Motor Vehicles	04	Ministry of Transport	Not submitted	January 2013

**(d) Un-settled Liabilities**

Liabilities outstanding for less than one year, not settled by the Si Lanka Railway Department as at 31 December 2013 amounted to Rs.77,940,796.

**2.5 Non-compliances**

**Non-compliance with Laws, Rules, Regulations etc.**

Instances of noncompliance with laws, rules and regulations observed in audit sample checks are

analyzed below.

<b>Reference to Laws, Rules and Regulations</b>	<b>Value</b>	<b>Non-compliance</b>
	<b>Rs.</b>	
<b>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
(i) Financial Regulations 101,102,103 104 and 110	195,350	(i) Action had not been taken in terms of Financial Regulations with regard to losses and damages occurred amounting to Rs.195,350 during the year 2013.
	700,000	(ii) Although 16 years had elapsed after the theft of batteries and electrical components valued at Rs.700,000 causing damages and losses to relay booths No. 102 fixed between Bemmulla and Veyangoda Railway Stations, conducting preliminary inquiries, taking action with regard to the misplaced documents or any course of action had not been taken.
	46,899	(iii) Damages amounting to Rs.6,899 assessed under Financial Regulation 105(1) due to an accident to a vehicle belongs to the Department on 11 November 1996 had not been recovered from the party responsible. Similarly, damages amounting to Rs.40,000 assessed due to an accident to a vehicle on 20 September 1993 had not been possible to recover due to misplacement of documents.

(ii)	Financial Regulation 175(b)	179,800	Although the outstanding value of warrants of 04 Institutions had been Rs.179,800, proper records had not been made in the reports with regard to that.
(iii)	Financial Regulation 177	148,449,593	Although receipts should be issued by the Chief Accountant, to the Station Masters of Railway for acknowledgement of cash remitted through Railway Stations, such receipts had not been issued for remittance totalling Rs.148,449,593.
(iv)	Financial Regulation 371(2)	31,034,324	Out of Ad hoc Imprest issued during the period commencing from the year 1998 to the year 2013, a sum totalling to Rs.31,034,324 had not been settled.
(v)	Financial Regulation 702	40,870,160	Revenue computed at Rs.40,870,160, as at 28 February 2013, that had fallen into arrears by entering into agreements not conforming to the formats approved by the Attorney General and leasing out railway compartments without transparency to outside parties had not been recovered and remitted to the Treasury.

**(b) Circulars of the Presidential Secretariat**

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 Circular No. PCMD/AD/2/1/1/26  
 dated 09 April 2012. Paragraph (b)

According to the replies to audit queries, it was not established that the Head of the Institution had been accountable with regard to the recovery of non-moving loan balances of the Railway Department.

**(c) Government Procurement Guidelines**

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 (i) Guidelines 2.4.3, 2.6.1(a)(i) and 7.4.1

Priority had not been given for procurement of 11 items required for repairs to rail engines, compartments and carriages and causing a delay in those works was

observed.

(ii)	Guideline 4.2.2	3,375,106	Although a procurement plan should be prepared for the year 2013 with regard to the purchase of items for repairs trail engines, compartments and carriages, such a procurement plan had not been prepared.
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## 2.6 Weaknesses in Implementation of Projects

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Instances of abandonment of projects without commencement, abandonment without completion and projects delays observed in audit sample checks are shown below.

### (a) Abandonment of Projects without Completion

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Following Projects had not been commenced by the Sri Lanka Railway Department.

Project	Estimated Cost	Reasons for Non- commencement Briefly.
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	<b>Rs.</b>	
(i) New system of issuing tickets and reservation of seats	1,000,000	Although a token provision had been made for the Item of Expenditure, the Project had not been commenced
(ii) Project for making Rail Compartments	12,000,000	It had not been possible to commence the relevant work due to non-preparation of required plans by the Chief Mechanical Engineer (Sub-Department).
(iii) Purchase of filling machines utilized for making railway lines.	1,000,000	Although a token provision had been made for the Item of Expenditure, steps had not been taken to commence the Project.
(iv) Purchase of rail engines, compartments etc. for the Northern Railway Line.	1,000,000	Refusal to accept engines and compartments agreed to provide from India through the Project for Reconstruction of Northern Railway Line.
(v) Electrification of Railway	1,000,000	Although a token provision had been made, action had not

been taken to implement the Project.

(vi)	Signals and Interlocking System	1,000,000	-do-
(vii)	Construction of Anuradhapura and Polgahawela Double Line	1,000,000	-do-
(viii)	Construction of Fort Bridge	1,000,000	-do-
(ix)	Construction of Kelani Bridge	1,000,000	-do-
(x)	Renewing 30 years old Clock System at Maradana and Fort	2,000,000	It had been decided that the most suitable clocks for the railway stations are those fixed in the Northern Railway Line and therefore it has been decided not to import clocks from foreign countries, but to make them locally.

**(b) Delays in Implementation of Projects.**

Following delays in Implementation of Projects of the Department were observed.

Project	Estimated Cost	Expenditure as at 31 December 2013	Reasons for the Delay.
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	Rs.	Rs.	Rs.
(i) Research and Development Project	1,,000,000	148,777	Limitation of engaging officers for training due to vacancies in the staff with a view to carrying on daily duties continuously.
(ii) Repairing 50 years old machinery in the Signals Work-shop	10,000,000	1,349,957	Delay in making payments for the goods obtained after placing orders.
(iii) Fixing Signals and Messages Exchange	40,000,000	11,532,546	Non-receipt of goods ordered.

(iv)	Replacement of machinery for the Chief Works Engineer's Department	50,000,000	5,756,174	Non-demonstration of operation of certain machines purchased and non-purchase of certain machines.
(v)	Kandy, Peradeniya, Kadugannawa Railway Triangle Development Project	15,000,000	388,427	Shortage of Surveyors.
(vi)	Construction of Double Line between Kalutara North and Payagala South	200,000,000	8,036,174	Procurement process had been completed in final half of the year 2013.

**(c) Weaknesses in Implementation of Projects.**

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 Following weaknesses were revealed in audit sample checks carried out with regard to Projects.

- (i) The total cost quantity sheet for US \$ 84,055,739 submitted by the Indian Company for construction of Medawachchi Madu Railway Line had been evaluated by the Technical Evaluation Committee. The recommended estimate value of that work by that Committee had been shown as US \$ 72,000,205. However, in the agreement entered into with the relevant company on 17 August 2010, the value of work had been shown as US \$ 81,305,739. Accordingly, agreement had been entered into in a sum of US \$ 9,305,534 over and above the recommendation of the evaluation Committee, or for a value more than 112.92 per cent of the recommended value.
- (ii) The Railway running in the Northern Railway Line up to Omantha had been commenced on 16 May 2013. Although the work of that line had been completed as at the date of field examination carried out on 30 August 2014, the Railway line had not been duly handed over to the Sri Lanka Railway Department. Accordingly, action had not been taken to recover liquidated damages payable in terms of the agreement at the rate of 0.1 Per cent of the contract value (US \$ 81,306) per each week of delay.
- (iii) Action had not been taken by the Central Engineering Consultancy Bureau appointed as the consultancy institution for the contract relating to the supply of all sleepers to be utilized for the Northern Railway to carry out tests in Sri Lanka relating to the quality of sleepers and rails utilized for the Line. Similarly,



laboratory tests had not been carried out in the manufacturing process or after importation. This work had been performed on the basis of the quality reports provided by the country of manufacture. After handing over for running along Medawachchi Madu line that is in June 2013 consultancy firm and the construction firm had carried out a joint travel inspection. It was observed that 1,771 sleepers valued at Rs.20,571,936, utilized in a distance of 43 kilometers had been cracked and removed. That number had been increased further by 30 August 2014.

- (iv) In terms of the agreement signed with an international firm, for the construction of railway line from Palai to Kankasanthurai that work had to be completed by 13 June 2014. However that works had not been completed even as at 03 September 2014. Although 0.1 Per cent of the agreed sum of US \$ 149.34 million per one week delays (US \$ 149.337) had to be recovered as liquidated damages, action had not been taken to recover liquidated damages.
- (v) The total number of rails required for the Palai to Kankasanthurai Railway Project had been 8,500 metric tons. Out of that 7, 000 metric tons had been supplied direct by the Railway Department and 1,707 metric tons had been supplied by the relevant international firm. All expenditure for transportation of rails had been born by the Project. However, transport expenses for a quantity of 8,001 had been born by them. Accordingly, it was not confirmed in audit hat 707 metric tons of rails valued at Rs.149 million were transported for the relevant Project.
- (vi) At the physical inspection carried out on 28 August 2014 with regard to the rails utilized for Omantha Palai Railway line, it was observed that cracked sleepers had been marked. Accordingly, sleepers valued at Rs.80 million had been cracked. At the audit examination carried out in this connection cracked sleepers had not been replaced with new sleepers having removed the cracked sleepers and there were cracked sleepers in addition to the marked sleepers. Action had not been taken to extend further the Defect Liability on the basis of the unusual situation reported after train travel.
- (vii) Sleepers and rails valued at Rs.374,189,504 had been left unused unusually, due to weaknesses in preparation of estimates of Omantha Palai Project. It was observed in audit that these balances had arisen due to lack of assessment of approximate requirements for the Project. Evidence was not furnished to audit that possibilities were explored for using this material for alternative purposes.
- (viii) Although train running from Omantha to Palai was in operation since 15 December 2013, a final report relating to the joint inspection carried out with

the international firm and the Central Engineering Consultancy Bureau had not been prepared. Although train running was in operation for nearly 09 months, the railway line had not been taken over by the Department. Due to that, a sum of Rs.23 million to the project consultancy institute and a further sum of Rs.2.7 million to the project staff had been continuously paid as salaries and other expenses unnecessarily, as a result of extension of time unnecessarily.

- (ix) According to the agreement for Railway Line Construction Project between Madu and Talaimannar, work should commence on 29 March 2011 and be completed by 29 September 2013. However, it had not been completed even up to 30 August 2014. Although the construction firm of the project had submitted a price escalation claim of US \$ 164.7 million, granting an extension and price escalation had not been approved. Unsuccessful construction of concrete posts (305 k.m and 307 k.m) of two main bridges of this Project and substandard iron bridges imported for the two bridges had caused for the long delay in this Project. While 95 per cent of the construction of the railway line had been completed, the main obstacle in taking over this work had been these bridges. It was observed that weakness of the Central Engineering Consultancy Bureau being the Project Supervision Consultancy firm too had affected this delay.
- (x) Central Engineering Consultancy Bureau had been appointed for the supervision of Project for fixing Signals and Telecommunication System in the Northern Railway Line. According to condition 8.3 of the agreement, consultant contract should oversee the contract programme submitted by the contractor, suitably amend it and complete the contract. It was not confirmed in audit that those works had been supervised.

## 2.7 Performance

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Observations with regard to the progress of the Sri Lanka Railway Department in relation to the Annual Estimates for 2013, Corporate Plan and Action Plan are shown below.

### (a) Key Functions not Adequately Performed.

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While the work planned by the Way and Works Sub-department of the Sri Lanka Railway Department had not been adequately performed, certain such instances observed are shown below.

- (i) A provision of Rs.63,050,000, had been made available for 24 new work proposals for the year 2013 to the District Engineer's Office (North). Out of that, a sum of Rs.25,477,958 or about 40 per cent of the provision made available had been utilized as at the end of the year under review.
- (ii) A provision of Rs.32,900,000 had been made available for 30 works under Capital Expenditure Items. Out of that, only two works had been completed as at 1 December 2013. For those two works, a sum of Rs.380,000 had been utilized over and above the estimated cost.

**(b) Unclaimed Minors' Accounts**  
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Widows and Orphans Fund payments belong to the children of the offices who were in service of the Department and deceased had been deposited in the Minors' Accounts. Steps had not been taken up to 31 December 2013, to release a total sum of Rs.1,733,896 deposited during the period from the year 1927 to the year 1995 on behalf of 1,482 minors who had reached the age of 18 years. Action had not been taken either to trace the individuals entitled and release the money or to remit that money to the Treasury.

**(c) Cancellations of Trains and Derailments.**  
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The main reasons such as train delays, cancellation of train trips, train derailments and lack of Train-Guards had caused inefficiency in train service and loss of confidence of passengers. While 11,629 train trips had been cancelled during the year 2013, it had been 7,490 during the previous year. This had been 9.15 per cent of the scheduled trips and when compared with the previous year there had been an increase of 3.04 per cent.

**2.8 Lapses in Operation of Bank Accounts.**  
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Following lapses were observed in the examination of the Collection Account of the General Manager of Railway.

- (a) Although the Bank Reconciliation Statement should be prepared at the end of each month and it should be certified by a responsible officer in terms of Financial Regulation 395(d), there had been a delay of about 05 months in preparation of the Bank Reconciliation Statement by the Department.
- (b) A list on un-cashed cheques had not been prepared in terms of Financial Regulation 395(e).

- (c) Although a balance of Rs.1,600,550 had been brought forward in the bank statement from January 2013, action had not been taken to correct that balance up to March 2014.
- (d) The balance of Rs.1,013,555 shown as a deduction in the bank statement as errors in the cash book during the year 2008, shown in the bank reconciliation Statement for My 2013, had not been corrected even as at 31 December 2013.

## 2.9 Transactions of Contentious Nature

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Certain transactions made by the Sri Lanka Railway Department had been of contentious nature. Details relating to such transactions revealed in audit sample checks are shown below.

- (a) Expenditure amounting to Rs.19,425,191 that should be spent out of the Stores Advance Account, had been spent under an Item of Recurrent Expenditure. Reasons for that were not furnished to audit.
- (b) While Capital Expenditure totalling Rs.1,661,589 had been spent under Recurrent Expenditure in 13 instances, Recurrent Expenditure totalling Rs.3,815 021 had been spent under Capital Expenditure in 16 instances.
- (c) An identified loss of Rs.106,108 due to damages to property had not been recovered from the officer served as Nawalapitiya Station Master, who is responsible for that. He had been retired and pension gratuity had been released without recovering the loss.
- (d) A Sub-department had been established with the objective of procuring, all materials required for the Department, through that having obtained approval for 33 members of staff. Other Sub-departments too had taken action to fulfill their procurement work separately, due to the inefficiency of the newly established Sub-department. Out of 2077 instances of procurements of the Ratmalana, Chief Mechanical Engineer, procurements had been made through the Stores Sub-department only in 325 instances. There had been a long delay in making procurements through the Stores Sub-department due to delays in obtaining certificates of conformity through Ratmalana, Chief Mechanical Engineer and delays in providing purchase requisitions. Although the procurement requirements of the Chief Engineer's Department for the year under review should be requisitioned during the previous year, those requirements had been informed to the Superintendent of Stores in September 2013 causing 09 months delay. Similarly, stock items arranged to be procured by the Chief Engineer as urgent purchases, had been received late in the stores. Instances of such delays in a time range between 04 months and 21 months were observed.
- (e) A sum of Rs.19,425,191 being Railway Stores Advances had been spent out of recurrent item of expenditure, instead of accounting as expenditure under Stores Advance

Account. Goods Received Notes or bills required to support payments had not been submitted to audit.

- (f) Arrears of revenue totalling to Rs.453,531,923 being arrears of rail warrants revenue amounting to Rs.431,569,008 and arrears of trade license revenue amounting to Rs.21,962,915, had been understated in the statement of arrears included in the Revenue Account submitted for the year under review.

## **2.10 Transactions of Fraudulent Nature**

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At physical verification carried out with regard to 07 gates out of 12 gates made and issued by the Ratmalana Building Inspector's Office, gates passes for issue of 02 gates valued at Rs.95,400 were not available. Those gates had been removed without making an entry in the Register of Issues in the Building Inspector's Office. Similarly, a gate valued at Rs.15,000 had been misplaced.

## **2.11 Losses and Damages**

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Observations relating to losses and damages revealed in sample audit checks are shown below.

- (a) Purchases had been made from time to time at varying prices, without making purchases once and for all, having estimated the annual requirement. A loss of Rs.195,739 had been caused to the Government due to purchase of same stock item of two categories in number of occasions at varying prices.
- (b) Good valued at Rs.77,040,268 had been destroyed due to fire took place on 23 May 2013 in the harbor, as a result of the delay in clearance of goods imported. Although a Committee of Preliminary Inquiry in terms of Financial Regulation 104 had been appointed, action had not been taken in terms of Financial Regulation 104(1) to identify the relevant loss or to determine the party responsible for that or to hold inquiry up to 31 July 2014.

## **2.12 Un-economic Transactions**

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Details relating to transactions entered into without regard to thriftiness revealed in audit sample checks are shown below.

- (a) Although a Wharf Section had been established with two officers for harbor clearing works of the Sub--department of Stores, two goods clearing agency firms had been improperly appointed without agreements. However, a sum of Rs.13,002,362 had been

paid as demurrage during the year under review due to non-clearance of goods imported from foreign countries.

- (b) An uneconomic payment of about Rs.331,079 had been made due to purchase of 08 items of goods at varying prices from time to time.
- (c) An uneconomic expenditure of Rs.165,926 had been incurred due to overestimating the materials for 05 job cards by the Anuradhapura Building Inspecting Section.
- (d) An uneconomic fuel consumption valued at Rs.285,789 had taken place due to lack of proper system of control relating to fuel consumption of rail buses in the Trincomalee running shed.
- (e) There were 08 units of Axle Drives used for railway engines and compartments in the stock of stores. It had not been used during the past 05 years. While 30 items of that had been purchased from a foreign country having spent a sum of Rs.20,693,098 during the year under review, those items had been kept in the stores without being used up to 31 March 2014. It was observed that a sum of Rs.496,657 too had been spent as demurrage in purchase of those items.
- (f) Ten per cent of the fines collected daily from the passengers who travel without tickets by the Ticket Inspectors and officers of the railway security section had obtained since a long period as prizes from the railway stations without Treasury approval and supervision of an Accountant and approval. A reconciliation of these prizes paid or fines collected had not been done.
- (g) In the stock of blank tickets valued at Rs.1,446,455 ordered, there were 400,000 blank tickets not relevant to the stock number and 2,652,900 damaged blank tickets. Action had not been taken to return the stock not relevant to the stock number and get down stocks relating to the correct number in place of those and to obtain an insurance compensation for the damaged stocks. Action had not been taken to introduce a procedure for disposal of those stocks referred to above.
- (h) It was observed that the buildings belong to the Railway Department that had been formerly leased out to the Jute Corporation, situated near the Hunupitiya Railway Station and another building adjacent to that remained idle without being used for earning income.

### 2.13 Management Weaknesses

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Following weaknesses were observed in audit sample checks.

- (a) Lease agreements relating to land leased had not been up dated once in 05 years as mentioned in the Multilateral Agreement Form No. Railway A.M.S. 01.
- (b) Information relating to individuals who have the benefit of leased land, contained in 17 files relating to leased land in the Commercial Division had not been updated. Although it had been requested to examine and report information relating to individuals who are enjoying the benefits of land at present, by the Railway Security Service Force, a time period in a range between 1 year 03 months and 13 years had elapsed, that report had not been submitted. Due to that, revenue that could be earned either by renewing the agreements with old lessees or re- leasing to new lessees had been lost.
- (c) While arrears of rent to be recovered relating to 07 leasing files amounted to Rs.8,687,906, the Management had not paid attention to recover those lease rents.
- (d) Seven leasing files had been kept un-attended during a time range between 10 and 41 years, without action being taken for assessment, renewal of agreements, processing bills, recovery of arrears lease rent, up-dating files and taking further action after obtaining handling reports relating to files not up-dated. Due to these lapses, revenue receivable had been lost.
- (e) There were arrears of balances totalling Rs. 56,509,696, outstanding for over a period of one year as at 31 December 2013 on account of property loans, distress loans, and festival advances due from 3,938 officers of the Railway Department. The annual interest that should be recovered on those loan balances remained un-recovered too had been lost to the Government, due to negligence of offices in the administration and accounts branches. It was observed in audit that there is a risk of recovering those balances in arrears.
- (f) Out of the property loans paid to 1,194 officers, loan balances totalling Rs.49,561,770 remained un-recovered as at 31 December 2013. Since the ownership of land had been transferred to the Department through irrevocable power of attorney by the debtors, it had been possible to recover the loan balances in arrear by take over or sale of land, such action had not been taken.
- (g) While water supply to 680 official quarters had been made from the main water supply line of the Department, water meters had not been fixed in the quarters for a long period. While there were un-authorized houses, among these quarters, water supply for those houses too had been obtained from this water supply line. Although this matter had been pointed out in audit, attention of the management had not been made for supplying water separately. A sum of Rs.59,403,551 had been paid by the Department for the water obtained during the year under review.

- (h) House rent had been recovered from officers in occupation of 61 quarters belong to 12 Railway Stations, having decided the rent at the discretion of the Management, disregarding the assessed rent provided by the Valuation Department. Due to this, rent had been under covered in a sum of Rs.1,306,714 from the relevant officers.
- (i) Four thousand and twenty one Litres of fuel valued at Rs.569,272, (2,008 litres of petrol and 2,013 litres of diesel) had been issued to the staff of the Hon. Minister and the staff of the Ministry Secretary respectively, during the year 2013. Action had not been taken for reimbursement of that value from the Ministry.
- (j) A sum of Rs. 134,619 had been spent through the Expenditure Heads of the Sri Lanka Railway Department for repairs to vehicles released to the Ministry. Action had not been taken for reimbursement of that expenditure.

## 2.14 Human Resources Management

### (a) Approved and Actual Cadre

Cadre position as at 31 December 2013 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Surplus Number
(i) Senior level	211	107	104	-
(ii) Tertiary Level	458	76	382	-
(iii) Secondary Level	7,297	5,066	2,231	-
(iv) Preliminary Level	12,376	8,078	4,298	-
(v) Others (casual/temporary/ contract basis)	-	3,019	-	3,019
<b>Total</b>	<b>20,342</b>	<b>16,346</b>	<b>7,015</b>	<b>3,019</b>

Following observations are made.

- (i) Action had not been taken by the Department to fill 7,015 vacant posts as at the end of the year under review.
- (ii) More than 50 employees who got substitute appointments in the Railway Department had been engaged in service of the Ministry of Transport and salaries had been paid by the Railway Department.



**(b) Human Resources obtained from other Parties.**  
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Two Wharf Clerks of the Foods Department had been attached to the Railway Department.

**3. Head 307 – Motor Traffic Department**  
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**3.1 Scope of Audit**  
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The audit of the Appropriation Account and the Revenue Accounts including the financial records, reconciliation statements books, registers and other records of the Motor Traffic Department for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of the Department on 27 February 2015. 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.

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

**3.3 Audit Observation**  
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According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (f) and major audit findings appearing in paragraphs 3.4 to 3.13 herein, the Appropriation Account, the Revenue Accounts and the reconciliation statements of the Motor Traffic Department had been prepared satisfactorily.

**(a) Lack of Evidence for Audit**  
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Ninety two Vehicles files called for audit examination work in six instances during the year under review had not been submitted even up to 31 January 2015.

**(b) Replies to Audit Queries**  
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Following observations are made.

- (i) Replies had not been furnished to 02 audit queries issued during the year under review and another 02 queries issued during previous years, even up to 31 January 2015.
- (ii) Although queries were re-issued with regard to ambiguous and unacceptable replies received, there were 08 instances of not sending replies to such re-issued audit queries even up to 31 January 2015.

**(c) Budgetary Variance**  
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Following observations are made.

- (i) The entire net provision of Rs.134,750,000 made available under 03 Items of Expenditure had been saved.
- (ii) Due to excessive provision made for 06 Items of Expenditure, balance left after utilization of provision had been in a range between 50 per cent to 100 per cent of the net provision relating to those Items of Expenditure.

**(d) Imprest Accounts**  
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Out of the Imprest balance to be settled as at 31 December 2013, a balance of Rs.78,490 had been settled by the Department during the month of August 2014, after 08 months delay.

**(e) Revenue Accounts**  
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Revenue totalling to Rs. 8,279 million had been collected by the Department under 03 Revenue Codes of the year 2013.

Following observations are made in this connection.

- (i) Half yearly reports relating to arrears of revenue relevant to Luxury Motor Vehicles Revenue had not been prepared in terms of Financial Regulation 128(2).
- (ii) The Luxury Tax revenue registers had not been properly up dated by the Department and due to that, information relating to arrears of revenue were not revealed in audit, as in the case of previous years.
- (iii) Responsibility of revenue forecast, estimating and review of revenue position from time to time in terms of Financial Regulation 128(2)(a) and Public Fiscal Policies and Economic Activities Circular No. 01/2002 dated 17 July 2001 had not been fulfilled by the revenue Accounting Officer.

**(f) Reconciliation Statement relating to Advances to Public Officers Account**  
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According to Reconciliation Statement relating to Item No. 30701- Advances to Public Officers Account, the total of balances in arrears as at 31 December 2013 amounted to Rs.3,634,020. The Department had failed to recover outstanding balances totalling Rs.3,488,088 as at 31 December out of those balances in arrears.

**3.4 Good Governness and Accountability.**  
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**Annual Procurement Plan**  
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Annual Procurement Plan in terms of National Budget Circular No. 128 dated 24 March 2006 had not been prepared even as at 31 December 2013.

**3.5 Assets Management**  
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**Idle and Under-utilized Assets.**  
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Twenty five Printing Machines ( Mobil Smart term) had been under utilized for more than 05 years.

**3.6 Non- compliances**  
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**Non-compliance with Laws, Rules, Regulations etc.**  
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Instances of non-compliance with laws, rules and regulations observed in audit sample checks are analyzed below.

**Reference to Laws, Rules, Regulations etc.**

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**Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

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(a) Financial Regulation 880

**Non-compliance**

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Although the officers who are entrusted with Public money, revenue, stamps or goods should furnish security in terms of provisions in Public Officers' Security Ordinance (Chapter 612), action had not been taken by the Department in that connection.

(b) Financial Regulation 1646

Although the Daily Running Charts and the Monthly Performance Reports of vehicles belong to the Department should be sent before 15<sup>th</sup> day of the ensuing month to the Auditor General by the Officer-in-charge of vehicles, action had not been taken accordingly.

**3.7 Performance**

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Observations relating to the progress of the Department in relation to the 2013 - Annual Budget Estimates and the Action Plan are shown below.

**Key Functions not Adequately Performed**

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**(a) Recovery of Luxury Tax**

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In sample audit checks it was revealed that the Commissioner of Motor Traffic, being the Revenue Accounting Officer for collection of Luxury Vehicles Tax in terms of provisions in the Finance Act No. 16 Of 1995, had not performed that function adequately. Certain such instances are shown below.

- (i) While arrears of Public revenue had not been reported, there were weaknesses in the collection of revenue in arrears.
- (ii) Systematic reports had not been kept with regard to recovery of taxes and tax money receivable.
- (iii) Revenue Control Accounts had not been maintained.
- (iv) Action had not been taken to rectify the lapses in the computer system and its operations.
- (v) Necessary course of action had not been taken with regard to insurance entities that had not performed tax recovery activities properly.

- (vi) Course of action in terms of provisions in the Act had not been taken against the vehicle owners with regard to tax defaulters.
- (vii) While action had not been taken for the full recovery of luxury, semi luxury and semi luxury dual purpose taxes relating to two vehicles liable for such taxes, value of that unrecovered tax and the penalty amounted to Rs.150,000 and Rs.75,000 respectively.
- (viii) Recovery of taxes from three vehicles including 02 vehicles liable for luxury tax and 01 vehicle liable for semi luxury tax had been totally given up. Due to this giving up, tax amounting Rs.360,000 relating to the first tax year had not been recovered.
- (ix) According to the Manual of Procedure issued by the Department, in registration of vehicles, accuracy of that function is subject to examination by a number of persons in a number of occasions. In addition to such circumstances, computer system had been connected in such a way that, a short note relating to tax liability is automatically printed in the certificate, in identifying vehicle at the time of registration of vehicles liable for luxury tax/ semi-luxury tax. In spite of all those procedures, 16 instances of non-recovery of taxes referred to above were observed in audit.

**(b) Registration of New Vehicles.**  
-----

Fraudulent activities taken place in the Department with regard to the registration of new vehicles were continuously pointed out to the Commissioner of Motor Traffic through a number of audit queries. However, action had not been taken in terms of provisions in the Motor Traffic Act to conduct inquiries immediately regarding those fraudulent activities and to take disciplinary action against the officers involved in those fraudulent activities including cancellation of registration of those vehicles and the owners .

**(c) Non-fulfillment of Provisions in the Motor Traffic Act**  
-----

Following functions in terms of Section 18 of the Motor Traffic Act No. 14 of 1951 had not been fulfilled.

- (i) Action had not been taken to cancel the registration having acted in terms of the provisions in the Act, with regard to vehicles condemned due to accidents or other reasons.
- (ii) A register of Registration for Cancelled Vehicles had not been maintained.
- (iii) Course of action had not been taken in terms of the Act, with regard to vehicles that had not obtained revenue licenses for more than two consecutive years.

- (iv) Although many vehicles were destroyed due to natural or unnatural disasters including Tsunami and terrorism, departmental role with regard to those vehicles had not been fulfilled.
- (v) Records had not been maintained to obtain true statistical information with regard to actual vehicles running in the Island.

**(d) Non-protection of Vehicle Files.**

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Although the protection of original files relating to vehicles registered daily is an essential duty of the Department, a large number of original files of the vehicles were not in the custody of the Department and had been disappeared. Therefore it was observed that the essential duty of the Department in protecting files had not been adequately fulfilled.

**(e) Providing Wrong Information in the Application for Registration of Vehicles by Vehicle Owners.**

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The registration of a motor vehicle could be cancelled after providing opportunity to the owner to submit a representation of his choice, in terms of provisions in Sub Section 18(2)(c) of the Motor traffic Act No. 14 of 1951 (by sending to the owner a notice by registered post to his address entered in the Certificate of Registration). However, in spite of the fact that wrong information had been provided in the applications for registration of vehicles by the owners for registration of 82 vehicles, , the Department had not taken action in terms provisions in the Act with regard to the registration of those vehicles.

**(f) Cancelation of Registration of Condemned Vehicles**

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Timely action had not been taken by the Department to cancel the registration of vehicles not in use for running. Due to this, it had been possible for various fraudulent activities such as entering the data to the registration records of those vehicles not in use or utilizing the identification numbers of those for vehicles imported irregularly or assembled without payment of custom duties. This activity had caused a further increase in fraudulent registration of vehicles and a material reduction in the vehicle revenue.

**(g) Action relating to Fraudulent Conversion of Vehicles.**

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Following observations are made in this connection.

- (i) In terms of the Cabinet Memorandum No. 12/1490/538/036 dated 16 October 12 and the Cabinet Decision for approval of that memorandum dated 03 January 2013, registration of converted vehicles should not be allowed after 31

March 2013, and legal action should be taken against individuals who are using unregistered converted vehicles. Although there are large number of converted vehicles in use contrary to law, action had not been taken against those individuals in terms of the Cabinet Decision.

- (ii) When vehicles running in the roads were examined, 24 converted vehicles were observed. Although a large number of such vehicles could be observed in further examinations, functions that can be easily fulfilled such as cancellation of registration in accordance with the provisions of the Motor Traffic Act and not issuing the annual revenue license and informing details of such vehicles to Sri Lanka Police and to the Criminal Investigation Department had not been done by the Department.

**(h) Testing Weight of Vehicles**  
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In terms of provision in Sub-section 7(2) of the Motor Traffic Act No 14 of 1951, every applicant for registration of a motor vehicle, except a motor cycle, if the Commissioner General has ordered, the weight of the vehicle should be established in such a manner to the satisfaction of the Commissioner General. However in test check it was found that 540 vehicles had been registered without obtaining a report with regard to the weight after a physical examination.

**3.8 Transactions of Contentious Nature**  
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Certain transactions made by the Department had been of contentious nature. Details relating to such transactions revealed in audit sample checks are shown below.

- (a) Although any vehicle can not be registered in the Department without custom entry, 82 vehicles imported during the year 2009 had been registered in the Department during the years prior to date shown in the custom entries, that is, since a time period ranging from 10 year to 20 years. Although this process had been contentious nature, there was no evidence of taking any course of action in this regard.
- (b) Although Cabinet of Ministers' approval dated 03 January 2013 had been granted to change the fraudulently converted vehicles to a legal position before 31 March 2013, any category of vehicle shown in the Cabinet Memorandum had not been registered during that period.
- (c) Although only Dual Purpose Vehicles and Motor Lorries are registered under English Letter series "P" and "L" respectively for vehicle identification, 24 instances of registering Five Doors Luxury Station Wagons were observed in physical roads examinations. The above mention 24 vehicles had been converted to Five Doors Luxury Station Wagons later, having imported as Cabs and Defenders.
- (d) Following observations are made with regard to registration of Specific Purpose Vehicles as Dual Purpose Vehicles and Motor Lorries.

- (i) Out of the 540 vehicles imported for Special Purposes under custom category No. 8705, 93 vehicle had been registered in Motor Traffic Department as Dual Purpose Vehicles and 358 vehicles as Motor Lorries. Although vehicles imported for a special objective should be registered under "ZA" series, those vehicles had been registered under "P" and "L" series provided for Dual Purpose Vehicles and Motor Lorries. Accordingly, revenue of Rs.6,551,000 had been lost to the Government from those 451 vehicles.
- (ii) According to the Section 240 of the Motor Traffic Act, Concrete Mixer Lorries belong to the classification of Special Purpose Vehicles. However, it had been indicted under Item 10, in the schedule stated in Sub-section 122(2)(1) that Motor Lorries and Heavy Motor Lorries fitted with loading and un-loading and construction equipment do not belong to the Special Purpose Class Vehicles. This is a contentious issue.
- (e) If the information relating to the vehicle, furnished by the new applicant does not agree with information in the Custom Computer System, further action relating to registration is not allowed by the computer system. According to the custom entries obtained it had been indicated that motor cycles and other goods were imported. However, 10 motor cars and 16 other vehicles had been registered in the departmental computer system under those custom entries.

### **3.9 Improper Transactions**

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Certain transactions entered into by the Department were improper. Certain such instances observed are shown below.

#### **Transactions without Authority**

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Semi luxury tax had been recovered from vehicles liable for luxury tax, due to incorrect application of vehicle classification for recovery of taxes, deviating from the provisions in the Motor Traffic Act No.14 of 1951. In terms of Section 17 of the Finance Act No.16 of 1995, except land vehicles, diesel vehicles exceeding 2,500 cylinder capacity and petrol vehicles exceeding 2000 cylinder capacity are meant as luxury vehicles. According to these provisions, models belong to land vehicles and cylinder capacities had been stated through Extraordinary Gazette Notification No. 881/14 dated 07 September 1995.

However, other types of jeeps different from those models are being registered in the Department of Motor Traffic. At present, tax to be imposed on diesel jeeps exceeding 2,500 cylinder capacity and petrol jeeps exceeding 2,000 cylinder capacity whether luxury or semi luxury is decided, on the basis of internal circulars, deviating from the requirements laid down in the above mentioned Gazette Notification. In terms of Article 148 of the Constitution, full control relating to Public Finance is vested in the Parliament and therefore recovery of luxury taxes made by the Department on the basis of internal circulars is questionable.



### 3.10 Transactions of Fraudulent Nature

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Details relating to transactions of fraudulent nature observed in audit sample checks are shown below.

**(a) Registration of 08 Motor Vehicles Imported on Carnet Permits in the Motor Traffic Department.**

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A Carnet Permit is issued to visitors who travel from one country to another country for his use during the period of time he travels in that country. In terms of the Motor Traffic (Amendment) Act No. 08 of 2009, a temporary permit could be issued for a period of 12 months. However, action had been taken by the Department to register permanently 08 vehicles imported on carnet permits mentioned above. Similarly, certain vehicles out of the 08 vehicle mentioned above had been registered in the Motor Traffic Department on dates prior to date of approval given for temporary registration. Accordingly, it was not possible rule out in audit that these vehicles had been registered in the Department fraudulently.

**(b) Wrong Alteration of Year of Production**

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When the year of production of Dual Purpose Vehicle relating to KDH200 and LH series vehicles registered from 01 January 2011 to 11 July 2011 were compared with the year of production of each vehicle mentioned in the internet web ([www.ipanparatner.com/checkmaufature-year.phy](http://www.ipanparatner.com/checkmaufature-year.phy)), it was observed that true year of production of 43 vehicles had been altered to future years and registered in the Department.

**(c) Registration of Motor Vehicle utilizing the Custom entries relevant to Motor Cycles and other goods Imported.**

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Twenty six Motor vehicles had been registered utilizing the custom entries relevant to motor cycles and other goods imported. Accordingly, it appears that fraudulent action had been taken to register these 26 vehicles in the Department for which relevant custom duties not paid or vehicles not legally assembled.

**(d) Registration of Assembled Motor Vehicle Utilizing the Custom entries Obtained for Import of Vehicle Spare Parts.**

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Although vehicle spare parts had been imported through the Custom Entry No. CBMV 1 – 5636 dated 29 December 2009 and Custom Category No. (H.S. No.) 8706, 23 vehicle were observed to be illegally assembled using those spare parts and had been

registered in the Department as Dual Purpose Vehicles. Due to this fraudulent registration, large tax revenue had been lost to the Government.

**(e) Import of Vehicles under Lower Tax Payable Custom Categories and Subsequent Local Modification of those Vehicles to Motor Cars, Jeeps, Vans and Double Cabs for Registration in the Department.**

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 Eight Land Rover Cabs Including spare parts had been imported through Import Customs Entry No. CBMV 1 – 570 dated 03 February 2009 and No. CBMV 1- 207 dated 12 January 2009. Out of those 08 vehicles, 02 vehicles as luxury cars and another 02 vehicles as luxury jeeps had been modified and fraudulently registered in the Department. Accordingly, vehicles had been imported under lower tax payable Customs categories and subsequently those vehicle had been modified in this Country as motor cars, jeeps, vans and double cabs causing a large deception. The Government had lost a large tax revenue due to this.

**(f) Registration of other Vehicles apart from Vehicles that should be Registered under English Letter Series.**

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 While registration of Single Cab Vehicle had been made under English Letter Series from “PP” to “PX”, Double Cabs Vehicles too had been registered under the same series.

**(g) Vehicles Imported having paid Customs Duties as Cab Vehicles, Registering as Mortar cars.**

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 According to information of the Customs Department, 03 vehicles had been imported as cab vehicles having paid the relevant customs duties. However, action had been taken fraudulently to register those vehicles as motor cars.

**(h) Importation and Registration of Ambulance Vehicles and Hearses**

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 Instances of imports as ambulance vehicles and hearses and registration those as other categories of vehicles or in favour of individuals were observed. Details are shown below.

- (i) It was observed in the physical inspection that the vehicle registered as an ambulance of the Department imported under customs category No. 8403, was a luxury jeep. This vehicle had been imported as an ambulance under a custom category number entitle to lower rate of custom duty. However, it had been converted as a luxury jeep.
- (ii) Two vehicles imported and registered as ambulances, had been converted as dual purpose vehicles.

- (iii) Although the registration of ambulances should be made in favour of a Government Hospital or private hospital or other special institution with ambulance requirement , 15 vehicles had been registered in favour of the personal names of individuals.
- (iv) There were 15 instances of transferring the ownership of ambulances and hearses imported by an Institution to other individuals.
- (v) Although a hearse had been imported through customs entry No. CBMV 1-48296 dated 17 November 2011 and Customs Category No. 8703-22-30, that hearse had been registered as a motor car during the year 2012.

### 3.11 Unresolved Audit Paragraphs.

Reference to audit paragraphs included in the auditor General's report for the year 2012 of which follow up work had not been completed is shown below.

Year	Reference to Audit Report	Subject Referred to in
	Paragraph No.	
2012	12(c), (d), (e), (f), (g) , (h ), ( i ), ( j), (k ), ( l), (m), (n ), ( o), ( p),( q), (r ) ,(s ), ( t), ( u),(v ),(w),( x), ( y), ( z ), (aa ), (ab), ( ac)	Transactions of fraudulent nature
2012	8(c)-( i), (ii ), (iii )	Performance
2012	10(a), ( c), ( d), (e), (f), (g ),( h), (i ),(j)	Transactions of contentious nature
2012	11-(c), (d )	improper transactions

### 3.12 Management Weaknesses

Following weaknesses were observed in audit sample checks.

- (a) Although it need to be ensure that their salaries were obtained by the offices by placing their signature on the salary register or salary sheet, there were instances of not signing the salary register. Action had not been taken too, by the officers in Gampaha, Kalutara, Nuwaraeliya and Trincomalee Districts to sign and send the salary sheets to Head Office.
- (b) While the monthly reports relating to attendance and leave of officers serving in outstations had not been sent to Head Office, supervision relating to activities of those officers, including attendance and leave was in a weak level.

- (c) Although the files should be maintained properly for follow up work of registered vehicle and to minimize errors and frauds taking place, files had not been maintained properly.
- (d) The computer system had been utilized for the performance including registration of vehicles and transfers. Following lapses were observed in the internal control system in that connection.
  - (i) Computer system had not been designed in such a manner so as to obtain all important information for registration of vehicles directly and unalterable manner through the Customs Compute network.
  - (ii) Computer system had not been designed to ensure any changes to be made with regard to vehicles already registered are done properly and with transparency.
- (e) Rewards and Incentive Payment Fund had been established in the Department in order to unveil individuals who are engaged in various nefarious activities including modification, production, assemble, newly creation, altering or changing the module of motor vehicles, without approval of the Commissioner General of Motor traffic and to take legal action against them. One Percent of the revenue based on charges recovered under the Motor Traffic Act had been utilized in each year for this Fund. Although identification of improperly converted vehicles pointed out in audit observations and taking further necessary action could be done through this fund, any such activity had not been implemented through this fund.
- (f) Requirement for improving the internal control system relating to information obtained under the rewards scheme, directly from the responsible officers of the Department of Import and Exports through trustworthy written confirmations was pointed out in 04 audit queries. Condition banning the transfer of ownership of 32 vehicles had been removed at the time of registration by producing forged documents using letter heads and fax messages of the Department to the effect that those conditions were removed by the Controller of Imports and Exports.
- (g) According to information obtained from insurance establishments, 06 vehicles had been removed from running due to accidents. However, action had not been taken to suspend the registration of those vehicles and due to that; these vehicles are shown as running vehicles according to the information of the Department. Opportunities had arisen to commit many fraudulent activities by utilizing identification numbers of condemned vehicles as data relating to vehicles imported illegally without paying custom charges or assembled illegally, due to failure in cancellation of registration of vehicles removed from running.

- (h) In registration of vehicles used for special purposes such as ambulance vehicles and hearses, an adequate methodology is not followed by the Department, in that, it would have been possible to minimize these malpractices by allowing the establishments or individuals engaged in such business activities to import such vehicles through a special permit.
- (i) Nine Concrete – Mixer Lorries registered as Lorries in the Department having imported under Custom Category No. 8705 as Special Purpose Vehicles, had been altered as Tipper vehicles. Accordingly these nine vehicles are being used deviating from the objective of “special purpose”. It was observed that a large number of vehicles imported as Special Purpose Vehicles are being used as tipper vehicle or dual purpose vehicles, deviating from that objective.

### 3.13 Human Resources Management

#### ----- Approved and Actual Cadre -----

Cadre position as at 31 December 2013 was as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior level	22	22	-
(ii)	Tertiary Level	19	15	04
(iii)	Secondary Level	792	771	21
(iv)	Preliminary Level	121	113	08
(v)	Others (contract basis)	06	06	-
		----	----	----
	<b>Total</b>	<b>960</b>	<b>927</b>	<b>33</b>
		===	===	===

Action had not been taken by the department to fill 33 vacant posts as at the end of the year under review.