

Head 307 - Report of the Auditor General relating to the Department of Motor Traffic – Year 2015.

The audit of the Appropriation Account, Revenue Accounts and the Reconciliation Statements including the financial records, reconciliation statements books, registers and other records of the Head 307 - Department of Motor Traffic for the year ended 31 December 2015 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 Commissioner General of Motor Traffic on 03 August 2016. 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 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. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.3,602.00 million and out of that a sum of Rs. 3,407.35 million had been utilized by the end of the year under review. Accordingly, the savings of the Department had been Rs.194.65 million or 5.40 per cent of the total net provision. Details appear below.

As at 31 December 2015

| Expenditure | Net Provision | Utilization | Savings | Savings as a Percentage of Net Provision |
|--------------|-----------------|-----------------|---------------|--|
| ----- | ----- | ----- | ----- | ----- |
| | Rs.Millions | Rs.Millions | Rs.Millions | |
| Recurrent | 2,361,.01 | 2,217.65 | 143.36 | 6.07 |
| Capital | 1,240.99 | 1,189.70 | 51.29 | 4.13 |
| Total | 3,602.00 | 3,407.35 | 194.65 | 5.40 |
| | ===== | ===== | ===== | ===== |

2.2 Revenue Account

Estimated and Actual Revenue

Revenue totalling Rs.11.360 million had been estimated by the Department for 04 Revenue Codes for the year 2015 and revenue totalling Rs.11,934.58 million had been collected during the year under review. It had been 105 per cent of the estimated revenue. Details appear below.

| Revenue Code | As at 31 December 2015 | | | Excess as a Percentage of Estimate |
|--------------|------------------------|------------------|---------------|------------------------------------|
| | Estimated Income | Actual Income | Excess | |
| | Rs.Millions | Rs.Millions | Rs.Millions | |
| 20.03.02.14 | 9,000.00 | 9,345.57 | 345.57 | 3.84 |
| 20.03.07.04 | 60.00 | 63.56 | 3.56 | 5.93 |
| 10.03.01.00 | 1,300.00 | 1,306.50 | 6.50 | 0.50 |
| 20.03.02.15 | 1,000.00 | 1,218.95 | 218.95 | 21.90 |
| Total | 11,360.00 | 11,934.58 | 574.58 | 5.06 |

2.3 Advance Accounts

2.3.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account under the Item No.30701 relating to the Department and the actual values are given below.

| Expenditure | | Receipts | | Debit Balance | |
|---------------|--------------|---------------|--------------|---------------|--------------|
| Maximum Limit | Actual | Minimum Limit | Actual | Maximum Limit | Actual |
| Rs.Millions | Rs. Millions | Rs. Millions | Rs. Millions | Rs. Millions | Rs. Millions |
| 35.29 | 26.79 | 20.00 | 32.36 | 135.00 | 93.98 |

2.4. Imprest Accounts

The balance of the two Imprest Accounts of the Department as at 31 December 2015 totalled Rs.121.25 million. Details appear below.

| Imprest Account Number | Balance as at 31 December 2015 |
|-------------------------------|---------------------------------------|
| ----- | ----- |
| | Rs. Millions |
| 7002/0000/00/0075/0015/000 | 67.67 |
| 7002/0000/00/0075/0097/000 | 53.58 |
| | ----- |
| Total | 121.25 |
| | ===== |

2.5 General Deposits Accounts

The balances of the 07 General Deposits Accounts of the Department as at 31 December 2015 totalled Rs. 499.28 million. Details appear below.

| Deposit Account Number | Balance as at 31 December 2015 |
|-------------------------------|---------------------------------------|
| ----- | ----- |
| | Rs. Millions |
| 6000/0000/00/0015/0161/000 | 2.00 |
| 6000/0000/00/0002/0053/000 | 0.22 |
| 6000/0000/00/0013/0027/000 | 3.45 |
| 6000/0000/00/0014/0004/000 | 409.35 |
| 6000/0000/00/0016/0010/000 | 18.03 |
| 6000/0000/00/0018/0012/000 | 66.04 |
| 6000/0000/00/0003/0159/000 | 0.19 |
| | ----- |
| Total | 499.28 |
| | ===== |

2.6 Audit Observation

According to the Financial Records and Books for the year ended 31 December 2015, it was observed that subject to the audit observations appearing in paragraph 1.1 of the Management

Audit Reports, Appropriation Account, Revenue Account, and the Reconciliation Statements of the Department of Motor Traffic have been prepared satisfactorily. The material and significant observations out of the observations included in those Management Audit Reports appear in paragraph 3 herein.

3. Material and Significant Observations

3:1 Non-maintenance of Registers and Books

It was observed during audit test checks that the Department had not maintained two registers while another register had not been maintained in the proper and updated manner.

| | Type of Register | Relevant Regulation | Observation |
|-------|------------------------------|-------------------------------|--------------------|
| | ----- | ----- | ----- |
| (i) | Security Register | Financial Regulations 891 (1) | Not maintained |
| (ii) | Register of Counterfoil Book | Financial Regulations 341 | -Do- |
| (iii) | Vote Ledger | Financial Regulations 447 | Not updated |

3.2 Lack of Evidence for Audit

The following observations are made.

- (a) Twenty one motor vehicles imported for the special purposes on the payment of a low customs duty had been registered as dual-purpose vehicles. The Department had not carried out follow-up actions to ensure whether the motor vehicles thus imported had been utilized for the relevant purposes. Even though the Commissioner General of Motor Traffic had expressed that those vehicles would be produced to audit in a manner enabling them to be physically verified, action had not been so taken even by 31 December 2015.
- (b) The files relevant to 345 motor bicycles and one motor vehicle registered in the year 2015 had not been furnished to audit.

3.3 Appropriation Account

The following observations are made.

- (a) The entire provision amounting to Rs. 117.09 million made for one Object had been saved.
- (b) Excess provision had been made for 02 Objects and as such the savings, after the utilization of provisions, ranged between 47 per cent to 57 per cent of the net provisions relating to the respective Objects.

3.4 Impreset Account

The imprest balance of Rs.53,575,400 continued to exist since year 1997 in the Impreset Account of the Department had not been settled even by 30 April 2016.

3.5 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 57 deposits older than 2 year (except Land Deposits) totalling Rs. 1,536,011.

3.6 Revenue Accounts

The Commissioner General of Motor Traffic, being the Accounting Officer for Revenue, had been assigned with the duties such as, preparation of revenue estimates relating to 04 revenue codes, collection and accounting of revenue, and presentation of accounts. The following weaknesses were observed in the audit test check conducted with respect to the said revenue codes.

(a) Revenue Code – 20-03-02-15 Fees Charged Under the Concessionary Motor Vehicle Permits in Transferring Motor vehicles.

It had been specified in the Trade and Investment Policy Circular No.TTIP/PIM/04/03 9-1 dated 25 March 2014 that in transferring motor vehicles imported under the concessionary motor vehicle permits to another party before the lapse of 05 years, an additional charge of 10 per cent up on the price, insurance and the freight of those vehicles should be recovered from 26 March 2014. Nevertheless, as a specific revenue code had not been introduced thereon, the revenue of Rs.1,003 million thus collected in the year 2014 had been accounted for under the Revenue Code 20.03.02.14 and a sum of Rs.1,218 million collected in the year 2015 had been accounted for under the new Revenue Code 20.03.02.15. However, the Department had not furnished any evidence to audit to the effect that the approval of the Parliament had been obtained to recover these charges.

(b) Revenue Code – 10.03.01.00 Luxury Motor Vehicles Tax

The following observations are made.

- (i) As the Department had not properly maintained registers for revenue during the period 1995-2010, information relating to revenue in arrears that remained receivable for the year under review as well as the preceding years, had not been presented to audit.
- (ii) In terms of Financial Regulation 128 (2)(c) , and Section 08 of the Fiscal Policy and Economic Affairs Circular, No. 01/2002 dated 17 July 2002, the Department had not presented half-yearly reports relating to revenue in arrears for the preceding years and the year under review as well.
- (iii) In accordance with Section 07 of Fiscal Policy and Economic Affairs Circular, No. 01/2002 dated 17 July 2002, the Performance Reports on revenue had not been presented to the Director General of Fiscal Policy and Economic Affairs.

(c) Revenue Code – 10-03-07-04 – Taxes on Sales of Motor Vehicles

In accordance with the Section 07 of Fiscal Policy and Economic Affairs Circular, No. 01/2002 dated 17 July 2002, the Performance Reports on revenue had not been presented to the Director General of Fiscal Policy and Economic Affairs.

(d) Revenue Code – 20.03.02.14 – Fees Charged Under the Motor Traffic Act, and other Receipts.

In accordance with the Section 07 of Fiscal Policy and Economic Affairs Circular, No. 01/2002 dated 17 July 2002, the Performance Reports on revenue had not been presented to the Director General of Fiscal Policy and Economic Affairs.

3.7 Reconciliation Statement for the Advances to Government Officers Account.

The following deficiencies were observed in the course of audit test check carried out on the reconciliation statement as at 31 December 2015 relating to the Subject No. 30701 - Advances to Government Officers Account.

- (a.) According to the reconciliation statement presented to the audit, the total of the outstanding balances as at that date, amounted to Rs. 4,882,356, and those balances had remained outstanding for a duration ranging from 01 to 27 years. Nevertheless, the Department had failed to recover those outstanding balances.
- (b.) In the payment of loans, the Department had paid loans amounting to Rs.2,775,281 without following the provisions required to be complied with.

3.8 Good Governance and Accountability

3.8.1 Audit and Management Committee

In terms of Paragraph 6 of the Management Audit Circular No.DMA/2009(1) dated 09 June 2009, each audit and management committee should be met at least once in every quarter, whereas the Department had conducted only 02 sessions of the Audit and Management Committee meetings in the year 2015.

3.9 Non-compliances

Non-compliances with Laws, Rules and Regulations

Instances of non-compliances with the provisions of laws, rules and regulations observed during the sample audit checks are analyzed below.

| <u>Reference to Laws, Rules, and Regulations</u> | <u>Non-compliance</u> |
|--|--|
| (a) Establishments Code of the Democratic Socialist Republic of Sri Lanka ----- Section 29 of Chapter XLVIII of the Establishments Code | Disciplinary action had not been taken against the officers involved in the fraudulent acts relating to the observations pointed out by the audit queries. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- (i) Financial Regulation 155 (ii) Financial Regulations 156 (5) | Action had not been taken to correct the deficiencies pointed out by the audit query. Documents relating to the registered motor bicycles had been maintained in irregular and insecure manner. |

3.10 Performance

Observations on the progress of the Department in accordance with the annual budget estimate for the year 2015, and the Action Plan, are given below.

(a) Main Activities Performed Inadequately

The Department had not performed/ inadequately performed the main activities, and some of such instances observed are as follows.

- (i) One of the objective of the Department of Motor Traffic is to discharge the activities relating to the Motor Traffic Act, efficiently and effectively. In order to implement E-motoring project for the use of technology in a manner enable to prevent/discover the massive frauds and irregularities by avoiding deficiencies in the existing computer system, provisions had been made annually. Provisions amounting to Rs.250 million had been made in the year 2015 for that purpose and provisions amounting to Rs.740 million had been made from the year 2009 to the year 2015. The Department had not taken any action whatsoever to implement the project using the relevant provisions. Similarly, the provisions made had been constantly transferred to other Objects and utilized for their activities.
- (ii) In terms of the Gazette (Extraordinary) No.1722/27 dated 09 September 2011 issued by revising the charges recovered for the motor vehicles, the Commissioner General of Motor Traffic had issued the Internal Circular No.14 dated 15 June 2012 Nevertheless, action in terms of the provisions of the Circular had not been taken in connection with the transfer of vehicles.
- (iii) In the transfer of the ownership of the motor vehicles, instances were observed where the vehicles had been transferred to the persons other than the transferee referred to in the format MTA-6 presented to the Department of Motor Traffic. Nevertheless, action had not been taken to correct them.

(b) Planning

 Although the utilization of physical resources at optimum level for the implementation of the Motor Traffic Act, was an objective of the Department, action had not been taken to obtain the provisions required for the expansion of necessary stores for keeping the files opened by the Department relating to the registration and transfer of the vehicles properly and safely by identifying its requirements and including the required plans in the Action Plan, 2015.

3.11 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment

Bank deposits totalling Rs.110,881 continued to exist for a period exceeding 06 months and less than 03 years included in the bank reconciliation statements as at 31 December 2015 prepared by the Department had not been realized even by 31 December 2015.

3.12 Transactions of Contentious Nature

 Certain transactions entered into by the Department had been of contentious nature. Particulars of several such instances observed during the course of test checks appear below.

(a) **Blacklisting of Vehicles**

The following observations are made.

- (i) In terms of the paragraph 2 of the Internal Circular No.DMT/H/E/6/01 dated 06 August 2012 of the Department, blacklisting of motor vehicles should be carried out by the Internal Audit Division only. Nevertheless, the vehicles had been backlisted even by the officers in other divisions in 12 instances.
 - (ii) The data in the computer system of the Department in relation to 20 instances of backlisting of motor vehicles had not been corrected.
 - (iii) It was revealed in audit that the supporting documents (evidence of audit) in respect of backlisting of motor vehicles in 52 instances were not available.
- (b) In the import of old motor vehicles for specific purposes, 14 motor vehicles had been registered by citing the following years (bringing forward the manufacturing year by one year or two years) in lieu of the manufacturing year stated in the Customs Notes.
- (c) Although the manufacturing year of 47 motor bicycles imported by a Customs Note dated 23 September 2011 should be the year 2011 or a preceding year, in the registration of those motor vehicles, the manufacturing year had been indicated as the year 2012 and the year 2013.
- (d) One hundred and ninety two specific task vehicles old up to 7 years and imported under the Hs Code No. 8705 on the payment of minimum customs duty had been registered under the Hs Code No. 8704 as dual purpose vans and motor lorries, for which a customs duty ranging from 85 per cent to 115 per cent should be paid. This position had given rise to the deprivation of the Government revenue.

3.13 Irregular Transaction

Certain transactions entered into by the Ministry had been devoid of regularity. Several such instances observed are given below.

- (a) In the registration of 07 motor vehicles imported in the year 2014 by an institution not registered with the Department of Motor Traffic as a business enterprises engaged in the import of motor vehicles contrary to the Section 42(1) (a) of the Motor Traffic Act, (Chapter 203), those had been registered in the name of another person without being registered in the name of that institution.
- (b) As the documents submitted for the registration of motor bicycles had not been compared with the data included in the computer network of the Department, 214 motor bicycles had been registered by forwarding faked documents.
- (c) In the registration of motor bicycles imported prior to 01 January 2014, those had been registered solely based on the documents submitted by the applicant. As such, 227 motor bicycles had been registered using the Custom Notes and Packaging Document Numbers which had not been included in the computer system of the Sri Lanka Customs.

- (d) The Hyundai motor vehicle manufactured in Korea and imported to this country in August 2004, had been registered as a Land Rover Defender manufactured in the United Kingdom in the year 2011, by the Department on 22 July 2015, that is, after 11 years.

3.14 Transactions without Authority

A motor vehicle not belonging to the Dual Purpose Motor Vehicle Category and imported under the Custom Notice No.5582 on 19 August 2015 had been registered as a Dual Purpose Motor Vehicle contrary to Section 240 of Part XIII of the Motor Traffic Act (Chapter 203).

3.15 Unresolved Audit Paragraphs

Reference to the audit paragraphs relating to the Department included the Reports of the Auditor General on which correction had not been made by the Department is given below.

| Reference to the Auditor General's Report | | Subject Referred |
|---|------------------------------|--|
| ----- | | ----- |
| Year | Paragraph No. | |
| ----- | ----- | |
| 2014 | 5.9(a) (vii) (viii) | Performance |
| 2014 | 5.10 (c) (e) (g) (h) (i) (k) | Transactions of contentious nature |
| 2014 | 5.11 (iii) (iv) | Transactions in the nature of financial irregularity |
| 2014 | 5.13 (a) | Management Weaknesses |

3.16 Management Weaknesses

Instances were observed that the documents had been misplaced due to the failure to keep the original files relating to the vehicle registration in the safe custody in proper and good condition. As such, it had not been possible to establish the accuracy of the data included in the computer programme relating to the registration of motor vehicles by the originals files. Accordingly, a situation likely to causing irregularities in the registration of motor vehicles had been created.

3.17 Human Resources Management

----- Approved and Actual Number of Cadre -----

The position of cadre as at 31 December 2015 was as follows.

| <u>Category of Employee</u> | <u>Approved Cadre</u> | <u>Actual Cadre</u> | <u>No. of Vacancies</u> |
|-----------------------------|-----------------------|---------------------|-------------------------|
| (a) Senior Level | 27 | 23 | 04 |
| (ii) Tertiary Level | 21 | 05 | 16 |
| (iii) Secondary Level | 790 | 723 | 67 |
| (iv) Primary Level | 133 | 129 | 04 |
| | ----- | ----- | ----- |
| Total | <u>971</u> | <u>880</u> | <u>91</u> |

Without being complied with Sections 1,2 and 3 of Chapter 02 of the Establishments Code, the Department of Motor Traffic had recruited 200 Development Officers in the year 2012. In calling for applications for the recruitment of these officers, the applications had been called for from the residents of the Hambantota and Anuradhapura districts. Nevertheless, in making recruitments it had been done as 75 from Hambantota district, 08 from Anuradhapura district, 91 from Kalutara district, 26 officers from other 11 districts. Calling for applications, conduct of interviews and making recruitments for these appointments had not been carried out by the Appointing Authority and a scheme of recruitment had not been prepared even as at 31 December 2015. Even though four years had elapsed from making these recruitments under the above circumstance, it had not been possible to confirm those officers in terms of Section 11.1 of Chapter 2 of the Establishments Code.