

Rewards and Incentive Fund of the Department of Motor Traffic - 2015

The audit of financial statements of the Rewards and Incentive Fund of the Department of Motor Traffic for the year ended 31 December 2015, comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of other explanatory information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 213 d (5) of the Motor Traffic Act, (Cap. 203) as amended by Motor Traffic (Amendment) Act, No. 8 of 2009. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Reward and Incentive Fund as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards .

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

Even though Provisions for reserves should be shown in the statement of changes in equity, Provisions for reserves for the preceding year and the year under review amounting to Rs.4,232,599 and Rs.5,792,890 respectively had been shown as an expenditure in the statement of financial performance. Therefore, the surpluses calculated for the preceding year and the year under review had been under stated by Rs.4,232,599 and Rs.5,792,890 respectively .

2.2.2 Unexplained Differences

Even though the values of treasury bills and fixed deposits had been shown in the statement of financial position as Rs.7,059,901 and Rs.11,490,009 respectively, according to the bank confirmation letters ,the correct values should be Rs.7,099,095 and Rs.11,462,147 respectively.

2.3 Balances Payable

A sum totalling Rs.7,434,358 to be refunded to the Department of Motor Traffic, comprising Rs.6,160,646 and Rs.1,273,712 for the year 2014 and 2015 respectively had not been refunded even by 13 May 2016.

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

The following non-compliances were observed.

Reference to Laws, Rules and Regulations

Public Finance Circular No.PF/423 dated
22 December 2006

Non-compliance

(a) Paragraph 03 .2 (b)

Even though the surplus money remaining after the settlement of payables and other liabilities should be transferred to the Consolidated Fund immediately, action had not been taken accordingly in relation to the surplus money

amounting to Rs.15,404,676 as at 31 December 2015.

(b) Paragraph 04.2(d)

If a separate bank account and books and records are maintained for the Fund , those accounts should reconciled and progress reports for each quarter should be furnished to the Director General of Public Finance, action had not been taken accordingly.

(c) Paragraph 04.3

Even though a performance report for the year 2015 along with the financial statements should be furnished to the Auditor General with a copy to the Director General of Public Finance, it had not been so done.

2.5 Transactions Not Supported by Adequate Authority

In terms of sub-paragraph 06 (c) of the Public Administration Circular No. 06/2006 dated 25 April 2006, instructions in respect of all allowances and incentives should be issued after consulting the National Salaries and Cadre Commission through the Ministry of Public Administration. Contrary to that, incentives had been paid in previous years and in the year under review for the staff according to a methodology prepared by the Sri Lanka Institute of Development Administration. That expenditure in the year under review amounted to Rs.108,726,084.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Fund for the year under review before provision made to the Reserve Fund amounted to a surplus of Rs.8,825,357 as compared with the corresponding surplus of Rs.11,458,547 for the preceding year, thus indicating an deterioration of Rs.2,633,190 in the financial results of the year under review as compared with the preceding year . Even though the incentives income in the year under review had increased by Rs.24,995,943 or 28 per cent as compared with the preceding year, increase of the payment of incentives by Rs.28,181,091 or 35 per cent had mainly attributed to the deterioration mentioned above.

4. Operating Review

4.1 Performance

The main objective of the Fund is to motivate the staff of the Department as a proper manner for uplift the performance of the Department of Motor Traffic and proper implementation of the Motor Traffic Act . The following payments could be made in that connection.

(a) Payment made for the persons who supply information about the persons who are involved in changing any motor vehicle without obtaining approval and the persons

who are involved in identification and reveal the wrongful acts which case could have been filed later .

- (b) Incentives payable to the staff and payments for trainings, educational activities, sports, entertainment and welfare activities.
- (c) Payments for the activities of the staff of the Department who need complementary or special appreciation and payment for the administrative expenditure of the Fund.
Nevertheless, the Fund had not implemented a proper procedure for supply of information about changing a motor vehicle, identification and detection of the wrongful acts, sport, recreation and welfare activities staff training, educational activities and complementary and special appreciations.

5. Accountability and Good Governance

5.1 Budgetary Control

Variations from 46 per cent to 100 per cent were observed between the budgeted expenditure as compared with the actual expenditure of 07 items, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.2 Action Plan

Even though the Fund should prepare an Action Plan in terms of Public Finance Circular No.01/2014 of 17 February 2014, an Action Plan had not been prepared for the year under review.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Commissioner General of Motor Traffic. Special attention is needed in respect of following Sri Lanka Public Sector Accounting Standards and Accounting Principles .