

Rewards and Incentive Fund - 2017

The audit of financial statements of the Rewards and Incentive Fund of the Department of Motor Traffic for the year ended 31 December 2017, comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and 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 Sri Lanka 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 risk 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.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Rewards and Incentive Fund as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Incentive amounting to Rs.512,665 unclaimed by officers relating to the year 2016 and the sum of Rs.481,707 repaid by the said amount had been brought to account as an income and an expenditure of the year under review instead of adjusting through a liabilities account. As such, the profit of the year had been overstated by Rs.30,958 and liabilities had been understated by a similar amount.
- (b) Incentive totaling Rs.719,265 unpaid due to various reasons relating to the year 2016 had not been identified as an expenditure payable in the year. As such, it had been brought to account as an expenditure of the year under review.
- (c) The sum of Rs.50,000 returned from the sum paid in the year 2016 by the Fund on behalf of sports, entertainment activities and welfare activities of the staff had been brought to account as an income of the year under review instead of adjusting to the Accumulated Fund.

2.3 Non-compliances with Laws, Rules, Regulations and Management Decisions

The following observations are made.

- (a) According to paragraph 3.2 (b) of the Public Finance Circular No.PF/423 of 22 December 2006, if a surplus exists after settlement of monies to be paid for the activities of the Fund and other liabilities, it should be transferred to the Consolidated Fund without delay. However, the surplus of Rs.2,686,700 existed in the Fund as at 31 December 2017 had not been so transferred to the Consolidated Fund. Moreover, the reports on progress for each quarter by reconciliation of the accounts of the Fund, had not been presented to the Director General of Public Finance.

- (b) In terms of paragraph (d) of Directive 3 of the Motor Traffic Act, (Rewards and Incentive Fund) No.04 of 2011, the maximum amount payable for training and education activities of the staff of the Department of Motor Traffic had been indicated as Rs.100,000 per year. However, a sum of Rs.364,640 had been spent therefor in the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Fund for the year under review had been a surplus of Rs.2,686,700 as compared with the corresponding surplus of Rs.2,692,728 for the preceding year, thus indicating a decline of Rs.6,028 in the financial result in the year under review as compared with the preceding year.

4. Operating Review

4.1 Performance

4.1.1 Function and Review

In terms of Directive No. 3 of Section 23 (d) of the Motor Traffic Act, over 92 per cent of the receipts of the Fund had been spent alone for the payment of incentive without achieving the following objectives cited in the Act.

- (a) Payment of rewards made for informants of persons who are involved in manufacturing, assembling, fabricating, innovating, adapting, modifying or the construction of which has been changed illegally or otherwise than in conformity with the prototype approved by the Commissioner-General.
- (b) Payment of rewards made for informants in identifying certain wrongful acts and for persons who are involved in revealing such wrongful acts.
- (c) Payment of rewards not exceeding Rs.50,000 per year for the activities of the staff of the Department who need complementary or special appreciation.

4.2 Management Activities

The following observations are made on the Incentive Scheme implemented by the Fund.

- (a) Incentive of 06 Divisions of the Department had been computed contrary to the Incentive Scheme for which approval had been obtained by the Fund. Even though marks should be given under 03 main performance indicators under that scheme, it was observed during the course of Audit that action had not been taken accordingly in the computation of incentive of 11 Divisions of the Department.

- (b) Even though a committee comprising 3 persons under an Additional Commissioner or Deputy Commissioner of the Development Division should be appointed for the operations of the Incentive Fund, action had not been taken accordingly.
- (c) In terms of paragraph 8.7 of the Scheme, it has been emphasized that the incentive scheme should be reviewed once in every 03 years. However, it was observed that this scheme which had been commenced in the year 2010, had not been reviewed even by the date of this report.
- (d) Contrary to Section 5.8 of the Incentive Scheme, it was observed during the course of Audit that incentive had been paid for quarter iv of the year under review for 03 divisions in which incomplete works had remained at the end of each quarter.

5. Accountability and Good Governance

5.1 Action Plan

In terms of Public Finance Circular No.01/2014 of 17 February 2014, the Fund had not prepared an Action Plan relating to the year 2017.

6. Systems and Controls

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

Areas of Systems and Controls	Observations
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(a) Accounting	Failure in taking action to compute accurately and account the incentive
(b) Financial Control	Non-maintenance of separate ledger accounts for bank accounts.