

Vehicle Emission Test Trust Fund - 2013

The audit of financial statements of the Vehicle Emission Test Trust Fund for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the statement of income and expenditure 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 the Motor Traffic Emission Control Order No.01 of 2008 published by the Gazette Extraordinary No.1533/17 dated 25 January 2008 and Section 29 (b) of Motor Traffic Act(Cap.203) as amended by the Motor Traffic (Amendment) Act, No. 8 of 2009. My comments and observations which I consider should be published with the Annual Report of the Department 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 Generally Accepted Accounting Principles 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 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 judgements, 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 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 Vehicle Emission Test Trust Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

Accounting Deficiencies

The interest receivable for the investments in Treasury Bills had been understated in accounts by a sum of Rs.44,246.

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

The following non-compliances were observed.

Reference to Laws, Rules and Regulations	Particulars
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(a) Statutory Provisions

Sub-section 2(4 b) (a) and (b) of the Public Service Provident Fund Ordinance as amended by the Public Service Provident Fund (Amendment) Act, No. 17 of 2003

Action had not been taken for the recovery of contributions to the Public Service Provident Fund from six Officers deployed in the service of the Vehicle Emission Test Trust Fund.

(b) Financial Regulations of the Democratic Socialistic Republic of Sri Lanka

(i) Financial Regulation 371(2)(b)

Even though a maximum sum of Rs.20,000 can be granted to a staff officer as an ad hoc sub-impres, it was observed that advances exceeding such limit had been granted to 10 officers in 36 instances .

(ii) Financial Regulation 395 (c)

The Bank Reconciliation Statement had not been prepared before the fifteenth day after the end of the month and furnished to audit.

(iii) Financial Regulation 396(d)

Action in terms of the Financial Regulation 396(d) had not been taken in respect of 08 cheques valued at Rs.115,458 issued but not presented to the Bank for more than 06 months.

(c) Paragraph 3.2 (b) of the Public Finance Circular No. PF/423 of 22 December 2006

Even though action should be taken to transfer the surplus money remaining after the settlement of all payables and the other liabilities immediately to the Consolidated Fund and transfer all surplus funds invested in external institutions immediately after maturity to the Consolidated Fund, it had not been so done in respect of Treasury Bills and Securities amounting to Rs.190,909,921.

3. Financial Review

3.1 Financial Results

The operation of the Fund during the year under review had resulted in a surplus of Rs.171,131,419 as compared with the corresponding surplus of Rs.177,236,281 for the preceding year, thus indicating an decrease of Rs.6,104,862 in the surplus as compared with the preceding year. The increase of Rs.9,485,555 in the depreciation and the increase of Rs.2,424,936 in the expenditure for mass media programme had mainly attributed to the decrease.

4. Operating Review

4.1 Performance

The particulars of Vehicle Emission Test Certificates obtained in the year 2013 out of the total number of motor vehicles registered by the Department of Motor Traffic under each class as at 31 December 2012 are given below. (As the Vehicle Emission Test Certificates need not be obtained for the first year of registration of new motor vehicles in the country, the motor vehicles registered as at 31 December 2012 were taken as the basis for this analysis)

	Total Number of Motor Vehicles as at 31 December 2012	Number of Motor Vehicles for which Vehicle Emission Test Certificates were obtained in the year 2013	Number of Motor Vehicles for which Vehicle Emission Test Certificates were not obtained in the year 2013	Number of Motor Vehicles which had not obtained Certificates as a Percentage of the total number of Motor Vehicles
Motor Cycles	2,546,447	1,657,906	888,541	35
Three Wheelers	766,784	698,851	67,933	09
Motor Cars	499,714	358,392	141,322	28
Dual Purpose Motor Vehicles	280,143	265,391	14,752	05
Lorries	323,776	205,456	118,320	37
Motor Coaches / Buses	91,623	46,868	44,755	49
Total	4,508,487	3,232,864	1,275,623	

The following observations are made.

- (a) Out of the total number of motor vehicles, 1,275,623 or 28 per cent of motor vehicles had not obtained the Vehicle Emission Test Certificates.
- (b) In view of the failure to obtain Vehicle Emission Test Certificates for all motor vehicles as shown above, the Fund had not implemented a proper procedure to identify the motor vehicles for which Vehicle Emission Test Certificates are obtained fraudulently or for which Vehicle Emission Test Certificates are not obtained.

4.2 Management Inefficiencies

The following observations are made.

- (a) A sum of Rs.70,224 had been paid during the year under review to place advertisements in three newspapers in respect of calling for quotations to provide two Ambient Air Quality Monitoring Stations and two Air Quality Display Boards. As the dates stated in the advertisement were incorrect, an additional sum of Rs.20,832 had been spent for re-advertising. Nevertheless, purchases had not been made even by 30 September 2014.
- (b) Even though activities such as examination of Emission Centers, emission test of vehicles running on roads should be carried out in accordance with a well-planned programme, it had not been so done.

4.3 Operating Inefficiencies

The following observations are made.

- (a) Even though the Vehicle Emission Test Trust Fund was operated with the objective of controlling the smoke emission from motor vehicles conducive to the environmental pollution, a proper evaluation based on the comparative environmental data available prior to the implementation and after the implementation of the Programme had not been done properly to ascertain whether such objective had been achieved adequately.
- (b) Even though the two companies had remitted a sum of Rs.522,127,270 as the 10 per cent of the vehicle emission test fees collected by the two companies since the inception of the Fund on 17 November 2008 up to 31 December 2013, the Fund had not implemented a specific course of action to ascertain whether the two companies had correctly remitted the Fund's share of the vehicle emission test fees collected for all motor vehicles tested or otherwise.

4.4 Uneconomic Transactions

A sum of Rs.668,348 had been paid as entertainment expenses in respect of officers participated in four training programmes conducted by the Fund during the year under review. According to the bills, food had been provided to 795 officers whereas 644 officers only had participated according to the Attendance Register. Accordingly, a sum of Rs.126,944 had been spent for providing food to 151 officers not participated in training programmes.

5. Budgetary Control

Variances ranging between 25 per cent and 95 per cent existed between the budget estimate and the actual expenditure in connection with 08 items of expenditure of the Fund. As such, the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

- (a) Budget
- (b) Internal Control
- (c) Accounting