

Vehicle Emission Test Fund of the Department of Motor Traffic - 2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Vehicles Emission Test Fund as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

The following instances were observed.

- (a) It was observed that the Treasury Bonds had been purchased under the price inclusive of the interest. Even though the purchaser is entitled to the full interest in the declaration of interest at the end of the period, the interest income for the year should be the interest from the date of purchase to the date of declaration of interest. The excess interest is an entitlement of the purchaser and that interest should be deducted from the cost paid. Even though the interest income received and the interest income receivable had been shown in the financial statements as Rs.7,574,180 and Rs.4,776,058 respectively according to the Treasury Bond Certificates the interest received and the interest receivable for the year 2012 amounted to Rs.5,442,763. As such the interest income from Treasury Bonds had been overstated in the accounts by a sum of Rs.6,907,475 while the value of the investment had also been over stated by a similar amount due to the erroneous accounting.
- (b) Even though the interest receivable on the investments in Treasury Bonds for the year under review amounted to Rs.4,736,817, that interest had been overstated by

a sum of Rs.39,241 while the interest income receivable for the year under review from the investment in Treasury Bills had been overstated by a sum of Rs.14,807.

- (c) As expenditure relating to the year under review amounting to Rs.321,156 had not been brought to account the surplus for the year under review had overstated by that amount.

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

The following instances of non-compliance were observed.

Reference to Laws, Rules and Regulations -----	Non-compliances -----
(a) Government Financial Regulations -----	
(i) Financial Regulation 371(2)(b)	Even though ad hoc sub-impressts of Rs.20,000 can be granted to a Staff Officer, sums exceeding that limit had granted in 35 instances.
(ii) Financial Regulation 372	The impressts or the sub-impressts in the custody of a Department or an Office should be checked at least once a month by the Head of Department or by an Officer authorized for that purpose. Nevertheless, the Register of Advances of the Fund had not been subjected to such checks.
(iii) Financial Regulation 395 (c)	The Bank Reconciliation had not been prepared before the fifteenth day after the end of the month and furnished to audit.
(iv) Financial Regulation 396(d)	In the preparation of the Bank

Reconciliation, the dates of the cheques issued by the Department but not cashed during the relevant month had not been included in the list of cheques not cashed. Action in terms of the Financial Regulation had not been taken on 07 cheques valued at Rs.100,458 issued but not presented to the Bank for more than 06 months.

(b) Public Finance Circulars

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

Even though the Department should take action to transfer the surplus after the payment of moneys payable and the settlement of liabilities and for the transfer of money invested in external institutions immediately after maturity to the Consolidated Fund, the Department had not taken action accordingly.

(c) 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 18 Officers deployed in the service of the Vehicle Emission Test Fund.

2. Financial Review

2.1 Financial Results

The operation of the Fund during the year under review had resulted in a surplus of Rs.177,236,281 as compared with the corresponding surplus of Rs.108,116,340 for the preceding year, thus indicating an increase of Rs.69,119,941 in the surplus. The increase of Rs.34,841,288 in the income from the Emission Test Certificates and the increase of Rs.27,303,302 in the income from Treasury Bonds had affected the increase.

3. Operating Review

3.1 Performance

The particulars of Vehicle Emission Test Certificates obtained in the year 2012 out of the total number of motor vehicles registered by the Department of Motor Traffic under each class as at 31 December 2011 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 2011 were the basis for this analysis)

	Total Number of Motor Vehicles as at 31 December 2011	Number of Motor Vehicles for which Vehicle Emission Test Certificates had been obtained in the year 2012	Number of Motor Vehicles which had obtained Certificates as a Percentage of the total number of Motor Vehicles
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Motor Cycles	2,354,163	1,371,058	58
Three Wheelers	667,969	554,778	83
Motor Cars	468,168	302,750	65
Dual Purpose Motor Vehicles	242,746	209,511	86

Lorries	311,510	180,619	58
Motor Coaches /	88,528	39,895	45
Buses			
Total	-----	-----	
	4,133,084	2,658,611	
	=====	=====	

- (a) Other than the three wheelers and the dual purpose motor vehicles, a considerable number of other motor vehicles had not obtained the Vehicle Emission Test Certificates.
- (b) In view of the deterioration of obtaining Vehicle Emission Test Certificates for all motor vehicles as shown above, the Department of Motor Traffic had not implemented a 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.

3.2 Management Inefficiencies

The following observations are made.

Motor vehicles had been obtained on hire basis from a private company for participation in the Roadside Vehicle Emission Tests and the following deficiencies in the payments made in that connection were observed.

- (a) Deficiencies in the times shown in the invoice and the times shown in the relevant Test Reports.
- (b) Failure to indicate the number of kilometres run correctly.
- (c) Different rates per kilometres in each instances charged by the same company.
- (d) Payments made on incomplete bills.

- (e) Instead of making payment of hire charges by cheques, payments in cash had been made by the officer travelling in the vehicle.

3.3 Operating Inefficiencies

The following observations are made.

- (a) The Vehicle Emission Test Programme had not been properly implemented for the buses belonging to the Sri Lanka Transport Board and the buses belonging to the Private Passenger Transport Service and the motor vehicles of the Government.
- (b) Even though this Programme was implemented 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.
- (c) Since the commencement of the Programme on 17 November 2008 up to 31 December 2012, the two companies carrying out the Vehicle Emission Tests had remitted a sum of Rs.364,046,115 as the 10 per cent of test fees charged by the two companies. But the Department had not implemented a procedure to ensure whether the two companies had correctly remitted the share of the Department from the fees charged for the tests of all motor vehicles carried out by the two companies.
- (d) The two private institutions implementing the programme for the issue of the Vehicle Emission Test Certificates had not taken a course of action to ascertain the success or otherwise of the implementation of the Programme.

- (e) The following activities in the Action Plan prepared for the year 2012 had not been carried out.
- (i) Publish data on Emission Tests once in every 06 months in the print media for the improvement of the knowledge and concepts among the general public.
 - (ii) Printing of 02 stickers for pasting on motor vehicles for making an awareness among the general public.
 - (iii) Making aware of the general public of the Island on the all effects of noxious smoke through teledramas and advertisements and radio advertisements.
 - (iv) Analysis of data received from the Information and Communication Technology Agency and creation of an Online Information Network for the transmission of such data to District Secretariats, District Offices and Regional Offices.
 - (v) Conduct of vocational tests to the officers in service at the Emission Test Centres at 10 officers per day and issue certificates to them.
 - (vi) Conduct 24 surveys to obtain the basic data of all motor vehicles used.
 - (vii) Establishment as a Sub-Department and amendment of the Motor Traffic Act to suit the purpose.

4. Budgetary Control

The following observations are made.

- (a) Variances totaling Rs.68,465,403 existed in connection with 10 items of expenditure between the budget estimate and the actual expenditure. As such, the budget estimates had not been properly prepared while the budget had not been made use of as an effective instrument of management control.
- (b) Even though a sum of Rs.275,000 had been estimated for 02 items of expenditure, no expenditure had been incurred in that connection.

5. 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