

## **Head - 307 Department of Motor Traffic**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Department of Motor Traffic for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 . The Summary Report containing my comments and observations on the financial statements of the Department of Motor Traffic was issued to the Accounting Officer on 07 June 2022 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 30 June 2022 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Motor Traffic as at 31 December 2021 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters stated in Paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities for the financial statements are further described in the Auditor's Responsibilities section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibilities of the Accounting Officer on Financial Statements**

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The Accounting Officer is responsible for Preparation of financial statements in a manner that reflects a true and fair view and determines the internal control required to enable financial statements to be prepared without material misstatements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

The Accounting Officer shall ensure that an effective internal control system is prepared and maintained for the financial control of the Department in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also;

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. .

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### **1.5 Report on Other Legal Requirements**

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I declare the following matters in terms of Sub-section 6 (1)(d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are in consistent with those of the preceding year,

- (b) The recommendations made by me regarding the financial statements of the preceding year had been implemented.

## 1.6 Comments on the Financial Statements

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### 1.6.1 Reconciliation Statement on the Advances to Public Officers' Account

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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There was a difference of Rs. 2,071,479 between the total of individual balance classification summary as at 31 December 2021 and the balance as per the departmental book as at that date.	It is observed that the balance that started at Rs.15,000 in the year 2002 had increased up to Rs.1,500,000. Action will be taken to further examine and settle it.	Transactions should be compared with the relevant registers and source documents and accounted for.

### 1.6.2 Unidentified Receipts

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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A sum of Rs. 18,598,049 which should have been properly identified as the revenue for the year under review and made necessary adjustments in the accounts had been stated in the bank reconciliation statement as unidentified receipts.	Action has been taken to settle unidentified receipts of Rs. 18,476,885 and action will be taken to settle the balance amount of Rs.121,164 in due course.	Transactions should be properly identified and brought to account.

### 1.6.3 Non-maintenance of Registers and Books

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It was observed during the course of audit test checks that the Department had not maintained following certain documents while some other documents had not been properly updated.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) A record of losses and damages had not been maintained according to the Financial Regulations 110.	It is informed that the relevant register is being maintained in an updated manner at present.	All registers, books etc. should be maintained in accordance with the Financial Regulations.
(b) The vehicle log book had not been updated as per the Financial Regulation 1645.	- Do -	- Do -
(c) A register of counterfoil books had not been maintained as per the Financial Regulation 341.	- Do -	- Do -

## 2. Financial Review

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### 2.1 Revenue Management

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The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) In respect of 04 revenue codes, no quarterly revenue reports for the year 2020 had been prepared even as at the date of audit in terms of F.R.128 (2) (d) and Paragraph 07 of Public Finance Circular No.01/2015 dated 20 July 2015.	Action will be taken to submit quarterly revenue reports in respect of the 04 revenue code from the year 2022.	Reports should be presented on the due dates without delay.

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|-----|---|--------|------|
| (b) | In terms of F.R. 128 (2) (d), F.R. 176 (1), and Paragraph 08 of Public Finance Circular 1/2015 dated 20 July 2015, the half-yearly reports of arrears of income under the Revenue Code 1003-07-09 should be submitted to the Auditor General with a copy to the Director of Fiscal Policy within one month of the expiry of the said period. Nevertheless, any of those reports pertaining to the year 2021 had not been prepared and furnished to the audit. | - Do - | -Do- |
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**2.2 Expenditure Management**  
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The following observations are made.

**Audit Observation**  
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**Comment of the Accounting Officer**  
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**Recommendation**  
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| (a) | Overprovision of Rs. 960.70 million had been made for 05 recurrent Objects during the year under review and the savings after utilization of provisions stood at Rs.443.52 million. That savings had ranged from 45.49 per cent to 100 per cent of the total provisions. | These savings have occurred due to frugal spending, decrease in the purchase of number plate due to restrictions on vehicle imports, limitation of the issuance of driver's licenses due to Covid-19, etc. | Estimates should be prepared realistically. |
| (b) | Overprovision of Rs. 1387.70 million had been made for 07 capital Objects during the year under review and the savings after utilization of provisions stood at Rs. 676.45 million. That savings had ranged from 42.56 per cent to 100 per cent of the total provisions. | - Do -   | -Do-  |

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| (c) | The total provisions of Rs.3,200,000, Rs.50,000,000, Rs.50,000,000 and Rs.25,000,000 respectively made for the Object Nos. 307-2-1-12-1102, 307-2-1-12-2102, 307-2-1-12-2104 and 307-2-1-12-2106 had been saved entirely. | Even though these provisions were made for E-Motoring Project, these provisions were returned to the General Treasury due to not implementing the project.  | -Do- |
| (d) | Additional provisions of Rs.21.6 million had been made for 06 Objects through one Object (03-1409) as per F.R.66/69 during the year under review.   | It is informed that due to increase in the transport expenses, payment of salary arrears of the officers and revising charges of the security services, the additional provisions had to be made. | -Do- |

### 2.3 Incurring Liabilities and Commitments

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The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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(a) A statement of liabilities and commitments in terms of Format-(iii) had not been prepared and presented together with the financial statements.	The observations made by the Auditor General are agreed upon. It is informed that the accounts will be prepared by correcting that error in the future.	All formats as stipulated by laws, rules and regulations should be presented together with the financial statements.
(b) In the preparation of financial statements, a sum of Rs. 52,393,343 not identified as liabilities as at 31 December 2021 had been settled in the year 2022.	- Do -	All expenses pertaining to the year under review should be properly identified and brought to account.
(c) Although commitments cannot be incurred in excess of the savings as required by Financial Regulations 94 (I), Department had incurred liabilities of Rs. 10,615,357 in excess of the savings of 05 Objects.	It is informed that action will be taken to incur commitments and liabilities within the allocated limit of provisions in the future.	Commitments and liabilities should be incurred within the allocated limit of provisions.

(d) It is stated in the Paragraph 4.5 in No.02/2021 of the State Accounts Guidelines No. SA\MAA\02\01\01 dated 26 October 2021 that any commitment or liability which is not reported to the Treasury should not be settled within the year 2022. Nevertheless, a difference of Rs. 374,466,747 between the values stated in the statement of liability (Note IV) presented to the audit and the values stated in the report of accumulated commitments and liabilities of the Treasury (SA 92) was observed.

It is informed that the liabilities which are received with a delay in the future will not be accepted as liabilities.

State Accounts Guidelines should be followed.

## 2.4 Issuance and Settlement of Advances

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The following observations are made.

### Audit Observation

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- (a) Fifteen debt balances totaling Rs. 536,749, which had elapsed for more than 05 years after the debtor's death, had not been settled.
- (b) Although loan balances of the officers who are transferred should be settled within three months as per F.R.485 (4) and F.R.113(6) (b), the loan balance of the transferred officers that remained unsettled up to 31 December 2021 amounted to Rs. 649,315 of which the balances continued to exist for more than 05 years was Rs. 465,885.

### Comment of the Accounting Officer

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Information is being sought from the Department of Pensions to recover the dues from the guarantors.

The Ministry of Public Service, Provincial Council and Local Government was inquired to ascertain details.

### Recommendation

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Action should be taken to settle all debt balances without delay.

-Do-

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| (c) | The loan balance of Rs 302,722 due from 07 officers whose pension was suspended was older than 05 years and a loan balance of Rs. 176,565 belonging to a period of 2-3 years was also observed at the audit.  | Action has been taken to recover the loans after ascertaining information from the Department of Pensions and to appoint a committee to write off loan balances less than Rs.25,000 that remained over 05 years.   | Necessary legal action should be taken.           |
| (d) | The debt balance of Rs. 1,671,988 due from 21 interdicted officers could not be recovered from the principal debtors or the guarantors even as at 31 December 2021. It included a debt balances totaled Rs. 1,170,753 that remained for more than 05 years.         | Inquiries have been made from the Ministry of Public Service, Provincial Council and Local Government to find out information to recover the balances from the guarantors and action has been taken to appoint a committee to write off loan balances less than Rs.25,000 that remained over 05 years. | Legal action should be taken as time has expired. |
| (e) | It had been unable to recover a debt balance of Rs.185,388 due from 06 officials who vacated the service and had passed more than 05 years from the recovery of their last installments, and a debt balance of Rs.48,654 belonging to the period between 2-3 years. | - Do -   | -Do-  |
| (f) | It had been unable to recover debt balances of Rs. 1,323,291 that continued to exist for a period of 03 months to 02 years in the debt balances due from the retired officers.  | Pensions have been suspended.  | -Do-  |



## 2.5 Deposit Balances

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The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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a) Action had not been taken as per the Financial Regulation 571 in respect of deposits of Rs. 14,746,329 relating to 03 deposit accounts that had elapsed 02 years as at 31 December 2021.	0-010-0-016-0-6000 Since the security deposits relating to contracts, it will be released in the future after enquiring information. 0-053-0-002-0-0-6000 Action will be taken to credit it to the revenue if written requests are not made by the relevant institutions. 0-027-0-013-0-0-6000 Information has been sought and once such information is received, action will be taken to credit these deposits to the revenue after considering the possibility of further retaining them.	Action should be taken in accordance with the Financial Regulation 571.
b) In terms of Paragraph 04 (c) of the State Fiscal Policy Circular No.01/2015 dated 20 July 2015, the collected revenue in each deposit account should be settled within the first week of the following month. Nevertheless, the revenue collected for the Provincial Councils by the deposit account bearing No. 6000-0-0-014-0-004-0 had not been remitted as per the guidelines of the relevant circular.	Remitting of provincial council revenue has been delayed due to the Covid epidemic and action will be taken to properly remit the revenue within the first week of the month in the future.	Provisions in the circulars should be followed.

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| c) | Although lists of all deposits which have lapsed must be prepared at the close of each half year in terms of F.R.571, such lists had not been prepared.   | Although the referral of reports was delayed due to the Corona pandemic, annual reports have been presented by the Letters DMT/ACC/H/07 dated 15.11.2020 and 17.02.2020. | Action should be taken in accordance with Financial Regulation 571.           |
| d) | Although there were deposit balances of Rs. 12,058,836 in the district offices as at 31 December 2021 according to the individual balance lists of three deposits, an analysis thereof had not been furnished to the audit. | If there is any deposit that should not be further retained will be credited to the revenue in the future.   | Reports should be prepared with analysis in accordance with the requirements. |

## 2.6 Operating Bank Accounts

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### Audit Observation

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Although 95 cheques worth Rs. 4,068,400 had not been presented for payments from their issuance and 06 months period had elapsed as of 31 December 2021, no action had been taken to credit it to the revenue as per Financial Regulation 96 (d) or take other suitable measures. It included 30 cheques worth Rs. 3,449,508 that had exceeded a year.

### Comment of the Accounting Officer

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Out of the cheques issued but not presented for payment, 30 cheques valued at Rs.3,597,311 have been settled and remaining cheques worth Rs. 471,089 will be credited to the revenue as per the F.R.96 (d)

### Recommendation

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Action should be taken in accordance with Financial Regulations.

## 2.7 Non-compliance with laws, rules and regulations

Non-compliance with the provisions of laws, rules and regulations observed at the audit test checks are analyzed below.

Reference to laws, rules and regulations	Non-compliance	Comment of the Accounting Officer	Recommendation
(a) Motor Traffic Act (Chapter 203)			
(i) Section 30 (1)(f)(iii) and Internal Circular No. 20/2020	Even though the application form for the revenue licence should be submitted within 03 days from the date of registration of a motor vehicle for the first time in Sri Lanka, revenue licences for 09 vehicles out of 14 vehicles had been obtained at the same time for a long period of 06 to 19 years from the first registration date from April 2009 to July 2020.	In the analysis of the computer data, it is observed that the counter numbers related to the vehicles have been obtained in relation to the first registration year.	Action should be taken in accordance with the provisions of the Act.
(ii) Sub-section 32	A licence for one vehicle out of 14 vehicles had been initially issued by the Western Province Revenue Licensing Authority to be valid only for one day from 24 November 2018 to 25 November 2018.	It is kindly informed that the issuance of revenue licences is not carried out under the direct supervision of the Department of Motor Traffic.	-Do-
(iii) Sub-section 30(1)(f)(iii)	For new vehicles that were later included for 05 old blank vehicle numbers existed in the system, revenue licences had been obtained at the same time for 27 years from the registration year from 1992 to 2019.	It has been instructed to inquire from this Department before issuing revenue licences for vehicles that have not obtained revenue licences continuously.	-Do-
(iv) Sub-section 30(1)(f)(III)	As mentioned above, out of 05 blank vehicle numbers, revenue licence for one vehicle had been obtained after 11 months from the first registration date on 30 December 2015.	It is kindly informed that the issuance of revenue licences is not carried out under the direct supervision of the Department of Motor Traffic.	-Do-

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| (b) | Paragraph 04 (b) of State Fiscal Policy Circular No.01/2015 dated 20 July 2015. | According to the financial statements for the year 2021, an increase in the arrears of tax revenue amounting to Rs.131,654,900 was observed in the luxury category from Rs.82,669,000 to Rs.214,323,900 from the year 2016 to the year 2021 and no measures had been adopted to take immediate steps to recover such arrears or to prevent further accumulation of arrears. | Reminders have been sent to all unidentified vehicle owners who have defaulted on tax payment. It is informed that the insurance agencies have been informed and thereby it has been possible to recover a large amount of tax arrears. | Action should be taken in accordance with laws, rules and regulations. |
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**3**      **Operating Review**  
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**3.1**    **Procurements**  
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**The following observations are made.**

<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
a) In terms of Guideline 7.9.10 of the Government Procurement Guidelines, bids shall be first evaluated strictly according to the criteria and methodology specified in the bidding documents and such evaluated bids shall be compared to determine the lowest evaluated substantially responsive bid. Nevertheless, evidence that a bid evaluation report (Procurement Manual 7.11.1) was prepared by the Technical Evaluation Committee reflecting whether the bids of the institutions that had submitted bids in the procurement for printing of 300,000 envelopes with mailing window for Vehicle Registration Certificates conformed to the departmental specifications was not submitted to the audit.	It is stated that attention in this regard will be paid in the procurement activities of the year 2022 and the officials have been educated on this matter.	Action should be taken in accordance with the Procurement Guidelines.

<p>b) Although a formal contract agreement should be written and signed in respect of goods and services contracts exceeding Rs.500,000 according to Guideline 8.9.1 (b) of the Government Procurement Guidelines, no formal agreement had been entered into between the two parties in relation to the above procurement exceeding Rs.1,875,000.</p>	<p>Contract agreements have not been entered into for the procurements such as purchase of goods. Action will be taken to correct this error in the future.</p>	<p>Action should be taken in accordance with the Procurement Guidelines.</p>
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### 3.2 Security of Public Officers

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#### Audit Observation

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It has been stated in terms of provisions in F.R.880 that the officers who are administratively responsible for public money, revenue will be required to give security in accordance with the Public Officers (Security) Ordinance (Cap. 612) and according to Ministry of Public Administration Home Affairs Circular No. 1/99 dated 09 April 1999, instructions had been given regarding the officers who are required to give such securities and the amount security to be charged. However, five cash-receiving officers in cash counter 04 of Werahera sub-office and in the main Shroff section had not deposited securities as per the provisions of the above circular.

#### Comment of the Accounting Officers

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Arrangements will be made to deposit the security of the officials engaged in the duties related to the collection of money in the Werahera office.

#### Recommendation

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Action should be taken in accordance with the Financial Regulations.

### 3.3 Losses and Damages

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The following observations are made.

<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
a) Although losses totalling Rs. 1,177,965 had been incurred for 8 vehicles owned by the Department in 9 instances in the years 2019, 2020, 2021 and 2022, copies of General 283, General 284 and General 285 reports to be prepared as per Financial Regulations 104(3) (4) and 109 (1) (b) had not been submitted to the Auditor General up to date.	It is informed that the preliminary inquiries as per F.R.104 have not been conducted pertaining to the years 2019 and 2020 and the General 283,204 and 285 reports to be prepared according to F.R.104(3)(4) and 109 will be submitted to the audit in due course.	Reports should be prepared in terms of Financial Regulations.
b) It was observed that the government has lost a total of Rs.213,070 in revenue licence fees and fines relating to three vehicles for 30 years from 13 November 2002 to 24 November 2018.	Answers will be given in due course.	Action should be taken in accordance with the provisions of the Act.

### 3.4 Uneconomic Transaction

<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
It was observed that the system development project relevant to the information exchange method aimed at providing the information about the vehicles registered in the Department of Motor Traffic to the Inland Revenue Department had been inactive after the year 2018 and that the amount of Rs.2,420,000 paid by this Department to the Informatics International (Ltd) up to 19 December 2018 was an uneconomical expenditure. It was further observed that the benefits of this project was only received by the Inland Revenue Department and no benefit was received by the Department of Motor Traffic.	I also agree with your observation that the activities relating to providing the information of the Department of Motor Traffic to the RAMIS system have not been carried forward from 2018 up to date.	Public funds should be used so as to receive a benefit in commensurate with the amount spent.

### 3.5 Transactions in the form of financial irregularities

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The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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a) Due to changing the data of old vehicles in the system, the government had lost an income of Rs.499,569,300 in excise tax, luxury tax, and other government charges, etc. payable on 14 vehicles including 11 luxury jeeps. The matters observed are as follows.		
(i) Although no motor vehicle shall be registered except on payment of the prescribed fee in terms of Section 08 of the Motor Traffic Act (Cap. 203), registration fees had not been charged in respect of the 14 vehicles registered after falsely entering the new registration data into the computer system lately. It was observed that the total revenue lost to the government was Rs.335,300 at the registration fee of Rs.23,950 per vehicle.	It is stated that the entering further data without charging is problematic.	Legal action should be taken by conducting a formal inquiry..
(ii) Due to incorrect data entry in the computer system, the date of payment of luxury tax for 07 or more years of registered vehicles could not be ascertained. Since the system cannot recognize specific dates when entering new data, it had been recorded as 01 January 1900 and the year of manufacture of these vehicles was as old as 1996 to 2002. The engine capacity of these diesel jeeps, which were erroneously registered by the computerization of the relevant data from the year 2017 to the year 2020, exceeded 2200cc. Further, it was observed that the government has lost a total tax revenue of Rs.3,750,000 including arrears of luxury tax and a 50 per cent penalty of Rs. 2,595,000 and luxury tax of Rs. 1,155,000 receivable in the future up to 07 years in terms of the first schedule of the Finance Act No. 16 of 1995 as amended by Section 11 of the Finance Act No. 12 of 2012.	It is informed that out of these 14 vehicles, tax has been paid for 06 vehicles and action is being taken to collect tax for the remaining vehicles.	-Do-

(iii) It was observed that the government had lost approximately excise tax of Rs. 495,484,000 for 14 vehicles which were illegally imported into Sri Lanka without payment of customs duty or illegally assembled in Sri Lanka and released for use in Sri Lanka as legal vehicles by falsely entering the vehicle data into the computer system of the Department.

Customs duty and excise tax are recovered by the Customs Department, after payment of the relevant clearance tax and thereafter action will be taken to link data. Only those vehicles that have been data linked will be registered.

-Do-

b) Instead of issuing the vehicle registration numbers in consecutive order, the vehicles had been registered by leaving some numbers blank, and then 05 new vehicles were registered by falsely entering the data into the computer system under that blank numbers. It was observed that the government had lost approximately Rs.4,643,800 as luxury tax, excise tax and other government charges.

(i) Although no motor vehicle should be registered except on payment of the prescribed fee as per Section 8 of the Motor Traffic Act (Cap. 203), new registration certificates had been later issued for 05 old blank vehicle numbers without being charged any fee for new registration and thereby the government had lost revenue of about Rs. 99,200.

Money has been charged for 04 vehicles through the receipts of People's Bank.

-Do-

(ii) Out of these 05 vehicles, the total tax value lost for one vehicle from the year 2018/2019 to the year 2020/2021 was Rs.165,000 including luxury tax of Rs.110,000 and fine of Rs.55,000. Further, it was observed that the government had lost a total revenue of Rs.295,000, including tax of Rs.130,000 to be received in future.

This vehicle has been identified as a taxable vehicle and the current owner has been informed by sending a letter to pay the relevant tax amount.

-Do-

(iii) Due to the registration was done subsequently by falsely entering the data in the system without payment of any customs duty, an excise tax revenue of Rs. 4,249,600 had also been lost by the government during customs clearance.

Customs duty and excise tax are recovered by the Customs Department, after payment of the relevant clearance tax and thereafter action will be taken to link data. Only those vehicles that have been data linked will be registered.

-Do-



<p>c) Due to the registration of vehicles imported for special purposes under the registration numbers for dual-purpose vehicles, it was observed that the government had lost a customs tax amount of Rs. 27,472,988 only for 09 vehicles in the years 2018 and 2019. Thus no internal control system had been introduced to prevent false registrations.</p>	<p>Vehicle registration is carried out only after Sri Lanka Customs collects the tax and links the payment details to the computer network of our department. Out of these 09 vehicles, only one vehicle belongs to the PZA category and accordingly, instructions have been given to bring the file of that vehicle and report whether any irregularities have taken place. By issuing an internal circular, the officials have been informed to prevent such irregularities from happening in the future.</p>	<p>Action should be taken to recover the revenue lost to the government by conducting a formal inquiry.</p>
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### 3.6 Failure to reply for the audit queries

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Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>Reply for 01 audit query issued to the Department for the year of accounts, 2021 had not been given even by 20 May 2022.</p>	<p>Replies for all the audit queries except for one audit query have been given at present.</p>	<p>Audit queries should be replied without delay.</p>

### 3.7 Management Weaknesses

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The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>a) Although it was expected to launch the eRL 2.0 Project to transmit the computer data related to revenue licences issued by the Provincial Department of Motor Traffic to the</p>	<p>Instead of eRL 1.0 presently in operation for issuing revenue licences from provincial departments of motor traffic, the eRL 2.0 is being developed. That</p>	<p>Project should be implemented immediately to receive expected benefits.</p>

Department of Motor Traffic under the coordination of the Information and Communication Technology Agency of Sri Lanka in September 2021, due to the delay of the relevant project, the confirmation task of the Department regarding the accuracy of the revenue licences submitted for vehicle transfers had been further delayed. Further, it was observed as a weakness regarding the maintenance of sound internal control on the transfer of vehicles.

project is expected to be launched in August/September this year and thereby details of the revenue licences are due to be obtained by this department to confirm the accuracy of the revenue licences submitted for vehicle transfers.

b) A large number of old number plates undertaken in the issuance of new number plates relating to the vehicle transfers had been piled up unsafe at the Gampaha office premise, where the clients are in abundance.

It was informed that the Industrial Development Board would purchase the removed old number plates as soon as possible. Action should be taken to properly dispose of the scrap items.

c) Without being computerized, a large number of files relating to the new registration of motor bicycles had been stored unsafely in the cupboards with inoperative locks in a place that had access to the external parties in the Gampaha District Office and those files had decayed due to the damages caused by rats and insects.

Accepted. Arrangements have been made to fix locks for those cupboards in order to protect the files relevant to new registration of motor bicycles. Documents should be stored properly and safely.

(d) Six inspection instruments received by the vehicle inspection centre, Werahera in 2004 as a donation from the German government remained idle even by 20 May 2022.

Only 02 of those instruments are prepared and used in such a way that they can perform only a few activities that can be carried out mechanically with them. As sufficient amount of provision was not received to purchase the instruments required to provide a high quality technical report, a committee chaired by a senior Motor Vehicle Inspector has been appointed to present the current status of these instruments and make recommendations. Necessary steps should be taken to optimally utilize the resources owned by the Department.

(e) The original files pertaining to vehicle registration and the transfer files contained in 18 containers established in the Werahera sub-office premises had not been stored in a proper manner, and the files were destroyed beyond recognition due to leaking rainwater into some of the containers.

As 08 containers have decayed and the files have been destroyed, action will be taken to appoint a committee chaired by the Chief Internal Auditor to inspect the damaged files and get a report thereon and take steps to identify the decayed files and store the usable documents safely.

Action should be taken to store the original and transfer registration files properly and safely.

#### 4. **Human Resource Management**

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The following Observations are made.

##### **Audit Observation**

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##### **Comment of the Accounting Officer**

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##### **Recommendation**

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(a) No action had been taken to fill 150 vacancies or revise the cadre through a formal review by the end of the year under review.

The Director General of Combined Services have been informed to fill vacancies.

Essential posts that have fallen vacant should be filled in accordance with laws, rules and regulations.

(b) An assistant commissioner of the Hambantota district office had issued driving licences after passing 52 written tests and 09 practical tests using changed passwords erroneously and the progress of the preliminary investigation conducted regarding the issuance of driving licenses by that officer using incorrect passwords had not been submitted to the audit up to date.

Preliminary investigations relating to issuance of driving licenses have been initiated and progress thereof will be reported to the audit after completing the investigations promptly.

Action should be taken to take disciplinary action by conducting a formal investigation and necessary arrangements should be made to maintain a proper internal control system.