

Head - 307 Department of Motor Traffic

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Motor Traffic for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 31 May 2023 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 09 June 2023 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 2022 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

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

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

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 skepticism 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

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

1.6.1 Accounting Deficiencies

(A) Income Receipts

The following points were observed while accounting the revenue receipts related to the department.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) No systems had been prepared, to compare the daily income in order to ensure that the daily income due under each income symbol is correctly collected by the Department of Motor Traffic. Without verifying the income had been received as per the services were provided, the collected income of Rs.3,579,179,220 had been recognized as the income for the year.	The "Bank link" computer program linked to the People's Bank is in operation to deal with revenue collection reporting and accounting in the Department of Motor Traffic. By doing so, comparing the daily report according to different income codes with the daily collection report obtained from the People's Bank and after verifying that it is correct, the accounts are made under the correct income head. Accordingly, revenue accounting is correct.	According to the services provided by the department, the income should be reconciled with the income received on a daily basis.
(ii) The income collected for the services provided by the district offices of the department had been credited to the department head code by the CIGAS computer system and detailed income reports had not been obtained from the district offices to verify the income so credited. Accordingly, the final accounts had been prepared without verifying the correctness of the income of Rs.4, 620,125,055 received from the district offices.	That the district office income is accounted for under the supervision of the accountants of the district secretariat as introduced by the computerized integrated government accounting system.	The relevant schedules should be claimed monthly to confirm the revenue collected by the district secretariats.
(iii) The district offices had been debited the total value of Rs.3,872,839 on several occasions by using two revenue codes which are used to credit the revenue to the Department, Although, the supporting documents had not been submitted for confirmation the reasons for those debits and the relevancy with the department.	According to the computerized integrated government accounting system, the above values have been generated by the journal entries made by several district secretariats to correct errors and the related documents should be checked by the respective district secretariats.	Arrangements should be made to bring the journal entries and related supporting documents from the district offices where the wrong corrections have been made.

- (iv) While examination of departmental books and records, there was a difference of Rs.317, 468,630 between the revenue collected by the concerned department under each revenue symbol and revenue shown under the financial statements for the year under review. On the same way, there was a difference of 318,742,041 rupees between the revenue collected by other ministries/departments on behalf of the concerned department and revenue shown under the financial statements for the year under review.
- 1003.07.04 A correction made by the Public Accounts Department through a journal entry has been recorded in the financial statements as income of other departments.
- 2003.02.14 Departmental collections as per departmental books and other departmental collections value as per departmental books are compared with the value shown in the financial statements, and as a result of correction made by the Public Accounts Department through a journal entry net value of Rs.309,776,930 has been included in the other departmental income.
- 2003.02.15 As the result of correction made by the Public Accounts Department through a journal entry, it has been made by recording those changes in the financial statements as income of other departments.
- (v) According to the Financial Regulation no (2) (d), F.R. 176 (1) and the State Finance Circular No. 01/2015 and dated 20th July 2015, the outstanding income under each income code should be calculated and shown in the financial statements. However, income code bearing 1003-07-09, the overdue income for the previous year had not been accounted. But in the year of conversion, arrears amount of Rs.9,105,861 had been collected under the applicable revenue symbol. According to that, there may be existing income arrears available under that income code in the conversion year as well. Therefore, it had been observed that the income arrears have not been correctly calculated.
- According to Section (8) of State Finance Circular 2/2020, it is not necessary to submit arrears income reports in respect of abolished taxes and fees. Accordingly the Carbon Tax has been repealed with effect from 01 December 2019.
- Even if a tax is abolished and still there is revenue arrears related to that tax, records of arrears of revenue should be maintained.
- (vi) Although the year-end overdue income is stated Rs.164,964,500 in the financial statement as arrears income (ACA-1 (1)) for the year under review, and as per the schedules prepared regarded
- The arrears revenue account which is included in the annual financial statements has been prepared based on the arrears revenue report which is prepared on half-yearly basis as per State Finance Circular 2/2020.
- Accurate schedules should be maintained related to arrears revenue.

overdue income it was Rs.170,942,000. Because of that, the overdue income had been understated by Rs.5,977,500 in the financial statements.

(vii) A vehicle subject to luxury tax has to pay luxury tax annually for a period of 7 years from the date of initial registration. Accordingly, the vehicles subject to luxury tax and reports related to luxury tax should be maintained for the next 6 years. however schedules including the number of vehicles subject to luxury tax and the tax charged for each vehicle and the arrears of tax to be charged were not maintained, due to the fact that, the accuracy of the arrears luxury tax revenue of Rs.164,964,500 included in the financial statements were not verified.

A luxury tax collection computerized system is in operation in the department for collection of luxury tax. The computer system is maintained the records related to taxation, future taxes and arrears. Accordingly, an annual arrears income report, which is generated in the system, is entered into the financial statements.

By representing the tax dues on each vehicle, the luxury tax revenue arrears records should be maintained.

(B) Recurring Expenses

The following points were observed while accounting for recurring expenses related to financial statements.

Audit Observation	Comment of the Accounting Officer	Recommendation
The capital value was understated by Rs.561,637 and the lease interest expense was overstated by Rs.76,017 in the financial statement year under review in relation to three motor vehicles purchased on finance lease.	This difference has been caused by not having enough provision to pay the premium for month of December 2022.	Leased assets should be accounted for in accordance with Sri Lanka Public Sector Accounting Standards.

(C) Capital Expenditure

The following points were observed while accounting for capital expenditure related to financial statements.

Audit Observation	Comment of the Accounting Officer	Recommendation
The budgetary provision of Rs.15,000,000 were approved for expenditure code 307-2-1-10-2104 named Meghaha Kiwula buildings and conduct of examinations through tactile method and	No answers provided	If there are available any contravention of financial allocation, it should be reported to

expenses were incurred Rs.15,225,737 under that budget code, then, In order to remove revealing exceed allocation amount, a negative value of Rs.225,737 was added to the budget code and also added positive value to the expenditure code 307-2-1-12-2104 of building construction.

the Public Accounts Committee as per Finance Regulation 69.

(D) Deposits

The following points were observed while accounting for deposits and balances related to financial statements.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(i) It should be informed the depositor which was collected refundable basis to realize the amount they deposited, after performing the committed duties. Only if no one comes forward to make a claim after being notified several times, after 2 years, the money should be credited to the government revenue as per financial regulation No 571. However without recording such formal notifications to the depositors, the three deposit refundable deposits with a total value of 14,816,930 had been credited to the government revenue on December 31, 2022.</p>	<p>This retention money has been credited as government income by considering fact that, the aforesaid amount of deposit are in accounts with more than two years, it has been not possible to find the information related to the depositor, and the government may incurred a loss by informing the contracting agencies about the retention money and paying that money. However, this amount can be repaid from the income when re-application may be submitted by depositor.</p>	<p>According to the financial regulation 571, after ascertaining that no one comes forward to make a claim in respect of the deposits withheld should be adjusted to the State revenue.</p>
<p>(ii) A deposit balance of Rs.7,764,236 has been included in the appropriation account in relation to three deposit accounts maintained in the district offices. But a list of individual balances with a time analysis was not submitted to the audit. Due to fact that the correctness of the deposit balance and the compliance with the 571 monetary regulations could not be checked.</p>	<p>By reconciling list of debit and credit balances was obtained from the treasury printed note and department accounts it was found that district offices were entered both debits and credits transaction on departmental three deposit accounts, and aforesaid mismatched was created. Accordingly, we were informed not to make any debits to our deposit account from 30th November 2022 after that all 19 district offices have stopped the debits as per the our instructions. However Hambantota, Kegalle, Rathnapura, Gampaha and Kilinochchi offices continue to carry out these debits furthermore. General Treasury and the relevant district secretaries have been informed to stop it. Also, all the district offices have</p>	<p>Action should be arranged to get a list containing detailed information regarding the transactions carried out in the deposit account from the district offices.</p>

been informed in writing to submit the balance comparison statements related to their offices and after receiving the reports, will submit the information to you.

- (iii) It was observed that by other heads were deposited Rs.3,450,137 in deposit account and were settled Rs.2,521,957 from deposit account during the year under review. But no document was submitted to the audit to verify the deposited credits and debits amounts.

Actions should be taken to get the Detailed schedules confirming the debits and credits made to the deposit account by other heads.

(E) Property Plant and Equipment

The following points were observed while accounting for property, plant and equipment.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) The non-financial assets were understated by Rs.7,429,960 due to non-recognition of Computer parts worth Rs.918,000 and 96 UPS batteries worth Rs.6,511,960 as computer accessories. Those items had been purchased under budget item which was allocated for the printing of driver's licenses code of 307-02-01-0-2509 which is not used for the acquisition of capital assets.	Purchase of 96 batteries for computer equipment and UPS system is not acquisition of capital asset but is improvement of capital asset. Accordingly, they are not recorded as capital assets.	Non-financial assets should be purchased only from the expenditure code which was approved for the acquisition of financial assets.
(ii) Non-financial assets were understated by Rs.15 225 737 due to non-recognition of capital assets purchased through expenditure code 307-2-1-10-2104 of Meegha Kiwula Building Construction and Conducting Examinations by Tangential Method by using eight heads of other departments and ministries. However that much amount of capital assets has been acquired to the Regional Offices of Motor Traffic Department by using aforesaid budget code.	Allocations are issued to the district offices and assets are acquired by those district offices through expenditure code of 307-2-1-10-2104 then expenses are incurred by the same offices. As well as, asset accounting is also done by the respective district offices, because of that; our department cannot do asset accounting.	Non-financial assets should be recognized under the same heading which is recorded the capital expenditure in related above non-financial assets.

(F) Advance Account Balances

The following points were observed while accounting the year-end balances of advance accounts.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) It had been entered total credits of Rs.13, 271,184 and debits of Rs.20, 392,339 in the government officials' advance B account which was certified and submitted for audit. But, according to the consolidated trail balance obtained by the CIGAS system, the credits made by cross entries to the advance B account of the government officials were Rs.21, 668,415 and debits were Rs.20, 731,448. Accordingly the correctness of the certificated Advance B account was not confirmed due to the fact that, a list of debits and credits which are not belonging to the departmental head had not been submitted for audit.	All the transactions included in the trail balance are not related to the department. The only transactions related to heading 307 are included in the advance B account. it would like to draw your attention to the Public Accounts Circulars issued in connection with the preparation of the financial statement. Accordingly, it further informs that the values related to Advance B account are correct.	It should be submitted Schedules to the audit about advance transactions, which is used by the Head in preparation of financial statement.
(ii) The debt balance of Rs.342,200, had not been collected and settled from the guarantors or inheritors, Which are to be settled for more than 05 years after the officer's death.	During the year the Rs.207,259 have been settled From Rs.549,459 balances of officers who are death as at 31 st December 2022. and the balance Rs.342,200 to be settled.	Arrangements should be made to recover from guarantors or inheritors.
(iii) The debt balance of Rs.154,547 due from 02 officials whose pensions were suspended. it was more than 05 years old and a debt balance of Rs.176,565 belonging to the period between 3-4 years was also observed during the audit.	Arrangements are being made to settle the loan balances of Rs.154,547 and Rs.176,565 of the officers whose pensions were suspended.	Arrangements should be made to recover from creditors or guarantors.
(iv) It had been failed to recover from those creditors or guarantors the debt balances of Rs.1,389,843 which should be charged from 15 suspended officers even by December 31, 2022. Among them, there were 12 loan balances sum of Rs.1,140,463 which was more than 5 years.	A special committee has been appointed to settle the debt balance of Rs.1,389,843 of the suspended officers.	Arrangements should be made to recover from creditors or guarantors.
(v) A debt balance of Rs.171,638 due from an officer who left from the service and which balances are overdue more than 05 years after the last installment was charged. Also a debt balance of Rs.48,654 belonging to the period between 3-4 years, had failed to be collected.	The officers who leaved from the service, are being settled amount of Rs.220,292 by a special committee.	Arrangements should be made to recover from creditors or guarantors.

(G) The impress Balances

The following points were observed while accounting for the ultimate balance.

Audit Observation	Comment of the Accounting Officer	Recommendation
In Form A.C.A.1 included in the financial statements, (as per S.A.21) the revenue collected by other Departments/ Ministry had been shown as Rs.4,410,501,640. But due to the inclusion of Rs.4,532,783,778 in the Statement of Impress Reconciliation (A.C.A.7 Form), as income collected by other entities on behalf of the reporting entity, a difference of Rs.122,282,138 was observed regarding the income between two financial statement forms.	The luxury tax income under the head of the Treasury Operations Department had been accounted as departmental collections and the corrections made by the Public Accounts Department through journal entries had been accounted as other departmental income. Due to the fact that This change had been created.	Data in related to income should be entered in such a way that there is no alteration in the different financial statement forms.

(H) Statement of Cash Flows

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
The amount of Rs. 6,561,537 had been repaid for acquisition of three motor vehicles under the finance lease agreement, nevertheless, it had been recorded in the cash flow statement as Rs.5,999,900. The reason of that, net cash flow generated from investing activities had been overstated by Rs.561,637.	Net cash flow generated from investing activities is not accurate due to understatement of lease payments. So audit observation is accepted.	Cash flow statement should be prepared with correct values.

2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Due to the over-allocation of four recurrent expenditure subjects, the amount of Rs.3, 897,316 surpluses had been recorded after the utilization of allocation. It also been recorded from 12 percent to 38 percent savings against total allocation of each expenditure subjects.	The savings from 12% to 33% have been made by controlling public expenditure as per the instruction given by the National Budget Circular No. 03/2022.	Budget estimates should be prepared with accurate forecasts.

<p>(ii) Forecasting allocations for capital expenditure subjects without accurate forecast, there was a surplus of Rs.463,234,733 after the utilization of allocations related for six capital expenditure subjects. It also been recorded from 11percent to 91 percent savings against total allocation of each expenditure subjects.</p>	<p>The savings from 11% to 91% have been made by controlling public expenditure as per the instruction given by the National Budget Circular No. 03/2022.</p>	<p>Budget estimates should be prepared with accurate forecasts.</p>
<p>(iii) For the purpose of strengthening the data system to remove the weaknesses in the existing data system as well as prevent irregularities in the Department of Motor Traffic, an allocation of Rs.20,000,000 had been made in the current year. However, no impress had been utilized from the said provision and no positive action had been taken to implement the e-motoring project.</p>	<p>This provision had been remained entirely due to non-implementation of E-Motoring project in 2022.</p>	<p>Efforts should be made to implement the E-Motoring project as soon as possible.</p>
<p>(iv) Although, according to the contractual lease installment the amount of Rs.7,194,749 should have to be paid as capital value for the year under review, in preparing the budget estimates, it had been estimated as Rs.6,000,000 for the subject of acquisition of capital assets (code 2108). As the reason of that, it was observed the budget estimates had been prepared without due care.</p>	<p>Agreed that, the adequate provisions had not been made.</p>	<p>Budget estimates should be prepared with accurate forecasts.</p>

2.2 Entering into Liabilities and Obligations

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(i) According to the Statement of Treasury Accumulated Obligations and Liabilities (SA 92), the amount of Rs.804,745,378 have been included in Obligations and Liabilities. However, due to the inclusion amount of Rs.527,253,074 as the value of Obligations and liabilities in the statement of liabilities which was included in the financial statements in accordance with Monetary Regulations 94 (2) and 3, the Obligations and liabilities were understated by amount of Rs.277,492,304 in the financial statements.</p>	<p>Extra amount of Rs.277,492,304 have been included in treasury accumulated obligations and liabilities. However The amount of Rs.527, 253,304 which was included in the financial statements as obligations and liabilities was the correct value.</p>	<p>Correct values of obligations and liabilities should be entered in Form SA 92.</p>

(ii)	Expenses related to the previous year amounting Rs.6,295,777 which had not been included in the financial statements as liabilities and obligations of the previous accounting year, had been paid and released in the year under review.	It had been recognized only Supplies and Services as obligations and liabilities in the financial statements. Liabilities of Supplies and non-service such as overtime, traveling expenses etc Which had not been included in the previous accounting year, have been paid in the year under review.	All obligations and liabilities related to the accounting year should be identified and included in the financial statements.
(iii)	According to paragraph 02 (b) of Public Accounts Circular No. 255/2017 dated April 27, 2017, the liabilities to be paid in next years should be disclosed in Note 03 of the Appropriation Account. Nevertheless, an amount of Rs.12,756,239 for 17 installments of finance leases to be paid for next years had not been disclosed in the financial statements.	Finance leases have not been entered as liabilities due to an omission. It will be processed to include those liabilities in the financial statements in upcoming year.	Information about contractual Lease agreement should be included as liabilities in the financial statements.
(iv)	Current year Unpaid installment for month of December, amounting Rs.750,367, which was subjected to three vehicles acquired on financial lease basis had not been included in the liabilities statement for end of the year.	Finance lease installment for December 2022 had not been included in the liabilities by omission,	The payable lease installment for the year under review should be recognized as liabilities.

2.3 Non-compliance with Laws, Rules and Regulations

Cases of non-compliance with the provisions of laws, rules and regulations observed during sample audits are analyzed below.

Audit Observation	Comment of the Accounting Officer	Recommendation
Reference to laws, rules and regulations (i) Section 5 and 6 (1) a, b, c, paragraphs of the Computer Crime Act No. 24 of 2007 dated 9 July 2007	It has been stated that any person who knowingly does not have the authority to make the computer, perform a certain task, intentionally makes unauthorized changes or damages to a computer or computer system, and it harms the national security, national economy or public safety, is guilty. However, although it was discovered that fraudulent activities are constantly taking place by changing the department's	The departmental computer system is operated based on software and hardware installed around the year 2004. Due to the proposed implementation of the E-Motoring project, the departmental computer system was not updated. Regarding the security of the computer system, the Sri Lanka Computer Emergency Response Forum (SL CERT) affiliated to the Sri Lanka Institute of
		Internal control system should be strengthened to prevent computer fraud.

computer system, the department had not worked to strengthen the internal control systems to prevent those frauds.

Information and Communication Technology has taken action to conduct an audit on computer security, and based on its results, further measures related to system security will be taken. Furthermore, a Privilege Access Management system was installed to monitor computer data system-related activities (insecure access and data modification activities, etc.). By that, it is regulating the unauthorized access and privileged accounts.

(ii) F. R. 342(5) Although it was specified how to deal with the used receipts or duplicate sheet books, a large number of common receipt number 172 used books had been piled up informal manner in the Werahera Chief Sarap Office lobby.

The report related sub-paper books which are subjected to disposal have been prepared for the approval of the Commissioner General. However after further checking are completed this will be submitted.

The actions should be done in accordance with the financial regulations.

(iii) F. R. 104(3) An initial report related to the accidents should have been submitted within 07 days from the date of the accident, but the initial reports had not been issued even at audited date of 19 may 2023 for 02 of the 04 accidents that occurred in the year 2022.

It is observed that, this situation has arisen due to non-maintenance of documents. Corrective actions are been taken immediately So this kind of situation will not happen again.

Actions should be done in accordance with the financial regulations.

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| (iv) | Paragraphs 2.14.1 and 3.5.1 of the Code of Government Procurement Guidelines | By non-complying with the procurement guidelines, the minor procurement committee of the department had been given a procurement for the service and maintenance of 276 personal computers for year 2021 which were used in the Army Information Technology Solution Center established in the Werahera office premises, for the worth of Rs.4,478,300 to the private entity under the direct contract system. | Kindly inform that this procurement has not been done by the department. | Purchases should be made in accordance with the Government Procurement Guidelines. |
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3. Operating Review

3.1 Other Observations

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Including the fines, a luxury tax income of Rs.757,500 and Rs.35,200,000 of production tax revenue had been lost due to fraudulently issuing a motor vehicle registration certificate in the year 2019 by falsely changing the data of a CEYGRA type motor vehicle which was previously registered under registration number KE - XXXX and entering the data of a MITSUBISHI PAJERO type motor vehicle .	Such losses and damages have not been reported, and it will be reported after they are confirmed as damages and losses. Inform that, the Damages and losses register has been maintained up to date.	Actions should be taken to recover the revenue losses by conducting a formal investigation with audit observations.
(b) According to the Motor Vehicle Registration System, A CRYGRA type motor vehicle had been registered under the number KE-XXXX, However, in the year 2018, by altering the data of aforesaid registration, the data related MINICOOPER type motor vehicle had been entered and the motor registration certificate had been issued. As the result of that production tax income of Rs.5,513,000 and new registration fee of Rs.44,050 had been lost.	-do-	-do-

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| (c) | The CEYGRA type petrol motor vehicle weighing 580Kg has been registered under the registration number KE-XXXX as per the motor vehicle registration information system, however, in 2018 the system data had been fraudulently changed and the data in related TOYOTA type diesel motor vehicle weighing 2580Kg had been entered and the registration certificate had issued. Due to the fact that, Rs.49,920,000 of production tax revenue had been lost. | -do- | -do- |
| (d) | By changing the pre-registered chassis numbers and engine numbers in the motor vehicle registration data system and then by entering the chassis numbers and engine numbers of illegally imported motorcycles, 91 motorcycles had been registered and issued registration certificates. With considered the engine capacity of above motorcycles It was observed that the government had been lost Rs.55,207,475 of tax revenue due to importation of motorcycle without valid Cusdec. | -do- | -do- |
| (e) | The illegally imported 91 vehicles had been registered for previously registered numbers and fraudulent registration certificates had been issued Without collecting fines and surcharges as per the Cabinet Paper No. AMP/16/1307/709/061 and dated 05 July 2016 and the Cabinet Decision dated 07 September 2016 subjected to the registration of illegally imported and unregistered motorcycles. Due to that, Rs.21,476,000 had been lost to the government including surcharge fee of Rs.21,285,000 and a new registration fee of Rs.191,000 which could have to be applicable. | -do- | -do- |

3.2 Management Weaknesses

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) According to the Motor Vehicles Act, while modifying a vehicle, components other than the chassis can be changed. However, it was observed that 27 cases where the chassis number had been changed while converting a petrol vehicle to a diesel vehicle. Accordingly, the 27 illegally imported vehicles had been registered by representing vehicle modification.	An internal investigation has been conducted in this regard.	An internal investigation should be conducted promptly and disciplinary action should be taken as per the Establishment Code.

(b) When converting a patrol motor vehicle to a diesel motor vehicle, the old motor vehicle registration number should be removed from the system. However, in 130 cases, the registration numbers of the converted vehicles had not been removed from the system.	-do-	Arrangements should be made to remove registration numbers of converted vehicles from the system.
(c) By entering with both engine number and chassis number as same number in the computer system, three vehicles had been previously registered. Those registrations were rigged and the chassis numbers had been changed, then three other illegal vehicles had been registered.	-do-	An internal investigation should be conducted promptly and disciplinary action should be taken as per the Establishment Code.
(d) The registration documents which was bearing motorcycle registration number BDA-XXXX were stolen and without the knowing the owner, the vehicle ownership had been transferred. Nevertheless, formal investigation had not been conducted regarding the above illegal transfer.	-do-	-do-
(e) Vehicle registration original files and transfer files were stored in 18 container boxes in the Werahera office and due to failure to protect the container from the rain; the files stored in the container had been naturally destroyed.	It has become difficult to find vehicle files required for court and other official activities due to lack of systematic shelves system and inability to pack the files neatly in sufficient containers which are used to store a large quantity of files. Accordingly, the files and documents in 03 of these containers where the vehicle files are kept are being destroyed. Some of the containers are decaying due to rainwater leakage and they are being repaired then the shelves are being installed in them.	Mechanisms should be developed to protect original vehicle registration files and transfer files in 18 container boxes at Werahera office.
(f) The original files and transfer files had been stacked in the corridor of the warehouse which is handed over to Werahera warehouse without considering re access in formal storing system.	The files piled up in the corridor of Werahera warehouse are already being packed in a temporary building and it is expected to speed up the process and complete this work in	Arrangements should be made for safe storage of files.

(g) In the procurement related to the printing of one million vehicle registration certificates used for vehicle registration in the Department of Motor Traffic, it is mentioned in the title of introduction, general instructions and conditions of the procurement document that one lakh vehicle registration certificate forms should be provided within three weeks from the date of the bid award letter. As well as, it has been stated that one lakh vehicle registration certificate forms should be provided within 30 days from the date of the bid award letter in the agreement contained in the procurement document itself. Due to this, it was observed that the bid documents were prepared without due care.

(h) The chassis numbers and engine numbers related 99 registered motorcycles which have been taken revenue licenses for previous years consistently, had been changed and the engine numbers and chassis numbers related other fraudulently imported motorcycles had been fraudulently entered. Then, new motor vehicle registration certificates had been issued for the existing registration number. After that, the Officials of the Department of Motor Traffic who are responsible system updating had been removed existing data and fraudulent changers from the vehicle registration system.

(i) The engine numbers and chassis numbers of the 31 vehicles registered in the Department of Motor Traffic under the other classes had been changed and in relation to another class of Department of Motor Traffic officials had been changed then entered the engine numbers and chassis numbers which are related to fraudulently imported motorcycles. After that, the Officials of the Department of Motor Traffic who are responsible system updating had been removed existing data and fraudulent changers from the vehicle registration system.

the near future.

No answers provided

In the recent past, it is observed that, the large number of people had been updated their vehicle information in the Electronic Revenue Licenses System while issuing revenue licenses and in parallel with the QR code fueling program. Also observed that, the audit quarries are indicated the information regarded motorcycles registered by the district offices. Further, it is expected that a full study will be conducted and the results will be reported in the near future.

The departmental computer system and Electronic Revenue Licenses System are two different systems. The ERL computerized system had been established in the year 2009. It is observed that the officials who are in the revenue licenses issuing counter will enter the relevant data of the vehicles into the

Bid documents should be prepared with due care.

An internal investigation should be conducted promptly and disciplinary action should be taken as per the Establishment Code.

-do-

ERL system by using the facilities of revenue licenses alteration. Therefore, after full study relating differences between departmental data system and ERL system, the information will be reported.

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| <p>(j) The chassis numbers and engine numbers related 29 registered vehicles for other classes which have been taken revenue licenses for previous years, had been changed and the engine numbers and chassis numbers related other fraudulently imported vehicles had been fraudulently entered. Then, new motor vehicle registration certificates had been issued for the existing registration number. After that, the Officials of the Department of Motor Traffic who are responsible system updating had been removed existing data and fraudulent changers from the vehicle registration system.</p> | -do- | -do- |
| <p>(k) By changing the chassis numbers and engine numbers of 11 pre-registered motor cars and inserting the chassis numbers and engine numbers of another illegally imported or assembled car, the vehicle registration certificates had been fraudulently issued. After that, the Officials of the Department of Motor Traffic who are responsible system updating had been removed existing data and fraudulent changers from the vehicle registration system.</p> | -do- | -do- |
| <p>(l) The engine number and chassis number of 04 previously registered motorcycles with outstanding revenue license fees for a long period, had been changed and entered the engine numbers and chassis numbers of 04 other illegally imported motorcycles, Then, Motor vehicle registration certificates had been fraudulently issued in the year 2022.</p> | -do- | -do- |
| <p>(m) Registration of other vehicles for deregistered foreign diplomatic vehicle registration numbers.</p> <p>(i) The previously registered six vehicles that were imported for foreign diplomats and non-governmental organizations on duty-free basis had been de-registered and re-exported when the diplomats were resigned. Then, the officials of department of motor traffic had been wrongly entered chassis numbers and engine numbers of other six luxury vehicles</p> | <p>It is expected that a full study will be conducted in this regard and the facts will be reported in the near future.</p> | -do- |

for above de registered numbers and issued registration certificates for another person.

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| (ii) As mentioned in above observation (i), this vehicles had been fraudulently imported without valid Cusdec issued from Sri Lankan Custom data system. Therefore it was further observed that those luxury vehicles have been imported illegally and no due import duties had been paid as per the Customs ordinance. | -do- | -do- |
| (iii) In checking the information related the registration of vehicles with other chassis numbers close to the subjected chassis numbers as per above observation (i), it was observed that the untruthful data had been entered in registration certificates regarding above vehicles with considered the comparative fingers of production year and registration dates . | -do- | -do- |
| (iv) The Department of Motor Traffic (DMT) data system could not verify the exact information regarding the dates of these fraudulent registrations. Due to the fact that, the dates of transmission of these data to the Electronic Revenue License (ERL) data system were checked. Then, the date of data transmission to ERL and the date the DMT data system was updated were considered and It was observed that DMT users have fraudulently contributed the modification to the DMT data system. | -do- | -do- |
| (v) It was observed that, the tax revenue of Rs.122,282,900 which should had to be collected by the Sri Lanken Customs, excluding luxury tax and other charges, had been fraudulently misused. Due to fraudulent registration of vehicles in the Department of Motor Traffic which are imported or assembled in Sri Lanka in an illegal manner. | -do- | -do- |
| (n) Cases where vehicle registration certificates were fraudulently issued for unused and blank registration numbers | | |
| (i) The six vehicle registration numbers without prior registration and no any revenue licenses are issued in the previous years had been fraudulently used by the Motor traffic Department officials and entered Engine numbers and chassis numbers which are fraudulently imported or assembled. Then the registration certificate had been issued by in lining with the nearest registrations of the computerized data system. | There is no capability in the computer system to register new vehicles for unused blank numbers; it is observed that there was no fraudulent entry of data on the car bearing 253-3462 as indicated by the audit. Further, an investigation in this regard is being | -do- |

conducted by the investigation section.

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| (ii) By Using the first possession transfer application number TH202129737 and second absolute right registration application number TH202129738, a vehicle had been transferred and registration certificate fraudulently issued on 03 December 2021 for number bearing 253-XXXX by the Hambanthota branch. However it was revealed that which is an old blank number where a vehicle was not registered and above vehicle was illegally imported or assembled. | -do- | -do- |
| (iii) Nevertheless, the date of fraudulently data entered in the system was at 03 rd December 2021, in the system it was appeared as at 17 th august 2000 as first registration date and at 1997 as production year of the vehicle. These dates have been fraudulently entered in the system by considering and in lining with pre-registration number details and post registration number details of the subjected registration number. | -do- | -do- |
| (iv) According to Section 30(1) E (III) of the Motor Vehicles Act, the revenue license must be obtained within 03 days from the date of first registration of a motor vehicle. However the data had been fraudulently entered in the computer data system as at 17 th August, 2000 as the first registration date and the Rs.195,865 arrears license fees and fines for 31 st December 2021 had been paid at once. Accordingly, it was observed that no motor vehicle had been registered under this number until the year 2022. | -do- | -do- |
| (v) In terms of section 14 (1) (d) of the Motor Vehicles Act, a valid revenue license must be submitted at the time of an application submitted for any changes in a vehicle registration certificate. However, at the time of registration of absolute right and transfer of possession on December 03, 2022, a valid income license had not been submitted. | -do- | -do- |
| (vi) According to the Department of Motor Traffic data system, the first owner details had been entered as a person who is from western province and the second owner details had been entered as a person who is from north-western province. However, the registration and ownership transfer had been entered by the Hambanthota distict branch of the Motor | -do- | -do- |

Traffic Department which district is not match with the residential provinces of both transferor and transferee. With considering fact that, it was observed the Hambanthota District Office officials had been intentionally and fraudulently carried out this illegal registration and transfer.

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| (vii) Due to fraudulent issuance of motor vehicle registration certificate for above dual purpose vehicle which is imported without valid Cusdec or illegally assembled, it had been lost total of Rs.6,205,300 tax revenue had to be collected as production tax revenue approximately Rs.6,000,000 and as luxury tax revenue of Rs.181,500 also as vehicle registration fee revenue of Rs.23,800. | -do- | -do- |
| (viii) While checking the original vehicle registration files from 253-XXXX to 253-XXXX, it was observed that, certificates of registration with concurrent sub-numbers have been issued for registration numbers from 253-XXXX to 253-XXXX except number 253-XXXX, 253-XXXX. Further observed that, the registration number of 253-XXXX was not a pre-registered number, the number of registration certificate submitted for the transferring did not match with the number of registration certificates of that category and the signature and rubber stamp of the Commissioner on the said registration certificate was fake. With considering all above fact, it was observed that, the motor vehicle registration certificate submitted for transfer was a forged and motor vehicle registration certificate was presented which was not a valid registration certificate issued by the Department of Motor Traffic. | -do- | -do- |
| (ix) The person who presented as the owner of registration certificate and the person represented as transferee with a copy of the identity card, was not the same person and it had been confirmed by the Commissioner General of the Department of Persons Registration to the audit confirming that the National Identity Card submitted was a fake identity card and not a valid identity card issued by the Department of Persons Registration. | -do- | -do- |
| (x) It has been confirmed by the Provincial Motor Commissioner to the audit that, the revenue license submitted for the transfer is not a | -do- | -do- |

legally valid revenue license issued by the Provincial Motor Traffic Department.

(xi) Observing that, the form submitted for the transfer has been completed with the signature of the same person and that person has signed both the transferee and the transferor.	-do-	-do-
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(xii) A staff officer or qualified officer shall ensure that all documents obtained are confirmed as true copies. . However, copy of transferor's identity card, copy of registration certificate, and copy of revenue license which are observed to be fake, have not been certified the authenticity of copies by a staff officer or qualified officer.	-do-	-do-
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(xiii)The vehicle with registration number GC-XXXX has also been transferred from the transferee mentioned in above 253-XXXX to the transferee mentioned therein. Therefore, it is observed that, this transfer is also not a transfer with legal documents, and the transfer file related to this transfer is missing from the file storage, it was confirmed during the audit.	-do-	-do-
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(o) Over the years, audit reports have been forwarded to the Motor Traffic Department regarding the illegal registration of vehicles and the submission of false and forged documents for the registration of motor vehicles, As well as, in the year 2022, audit observations were submitted regarding fake registrations and false document submissions on 4 occasions. But no any legal action had been taken against the parties who submitted the fake and forged documents as transferor of the above vehicles.	-do-	According to the provisions of the Penal Code, legal action should be taken against the registered owners of the vehicles whose registrations have been canceled and false information has been submitted.
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4. Systems and Controls

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) It had been provided computer passwords by the Department of Motor Traffic to users who are authorized to enter computer data required to perform duties for vehicle registration and related matters. Nevertheless, the passwords issued, to the officers who have transferred to other department, to the officers retired from the department and to the officers are still working in the department but the passwords are not used as per the official assignments are seems still active. Therefore it had been observed that, fraud and corruption	The Department of Motor Traffic provides usernames and passwords for the computer system under a formal system. The user name is given to the concerned officers in accordance with the department provided services and the duties	Internal controls should be strengthened to detect active user passwords.

could be committed by using those passwords.

performed, and the user name owned by the officer will be canceled as soon as the concerned officer reports leaving the concerned department. Allocation of user names is done only based on the written request of the Heads of Sections.

No answers provided

An arrangement should be introduced to ensure that expired revenue licenses are re-issued after receiving the recommendations of the Deputy Commissioner Investigation through the formal inquiries which might be relevant.

(b) Conditions have been imposed that, motor vehicles which have not obtained revenue licenses for more than 03 years should get the recommendations of the Deputy Commissioner of Investigations when applying for revenue licenses again. But, no formal arrangement had been introduced to ensure that revenue licenses were issued after that requirement was met.

(c) The computerized information system had not blocked vehicle registration numbers that had been canceled or deactivated by the Motor Traffic Department, So, that they could not be used again.

There is no possibility to re-use canceled or deactivated vehicle numbers in the Motor Traffic Department computer system.

Arrangements should be made to block the computer system so that canceled vehicle numbers cannot be used again.

(d) Commissioners and the executive officers of the Department of Motor Traffic, are given the opportunity to change and delete any information in the data system, including the chassis number of a pre-registered vehicle, using their password. Further, any past data that would be altered in this way then it would be completely erased from the system and could not be recovered again.

Commissioners, who are executive officers, are able to log any information that is changed on a pre-registered vehicle using a given username. There is a possibility to track both the original data and the new data.

The computer system should be improved by facilitating that, all the information including old car registration can be retrieved and none of the past data is erased