

## Department of Motor Traffic Rewards and Incentive Fund-2020

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### 1. Financial Statements

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#### 1.1 Disclaimer of Opinion

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The audit of the financial statements of the Department of Motor Traffic Rewards and Incentive Fund for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in equity and cash flow statement and notes to financial statements for the year then ended including a summary of significant accounting policies, 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 and the Section 213(d)(5) of the Motor Traffic (Amendment) Act, No. 08 of 2009. My comments and observations which I consider should be presented to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Fund. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### 1.2 Basis for Disclaimer of Opinion

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My opinion is disclaimed based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those audit standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### 1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Fund 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 of the Authority.

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

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My responsibility is to conduct an audit of the Fund's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### 1.5 Audit Observations on the Preparation of Financial Statements

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Audit Observation	Comment of the Management	Recommendation
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a) According to the financial statements, non-reconciliations totalling Rs. 32,090,890 existed between the balances relating to 06 items of accounts as at the end of the year under review and the balances shown in the ledger as at that date. Furthermore, a trial balance for the year under review had not been presented along with the financial statements.	Transactions taking place in the year are recorded in the ledger, and the journal entries have been included in the financial statements. As the journal entries are copied to the ledger at the end of the year, non-reconciliations should not exist.	Accounts should be maintained in a manner that the values shown in the financial statements and source documents should tally with each other.
b) A difference of Rs. 313,877 existed between the balances shown in the financial statements and the balances observed in the audit carried out on the income generated through the interest on Treasury bills and fixed deposits.	Brought to accounts on cash basis, and action will be taken to account on accrual basis in due course.	- Do.

- c) A difference of Rs. 93,188 was observed between the balance shown in the statement of financial performance and the balance obtained by adjusting the accrued expenses to the operating and administrative expenditure. - Do. - Do.

## 1.6 Non-compliances with Laws, Rules, and Regulations

Non-compliance	Comment of the Management	Recommendation
The financial statements and a copy of the performance report had not been presented to the Director General of Public Finance in terms of Section 15.1 of the Public Finance Circular, No. 1/2020 dated 28 August 2020 and Regulation 877(2)(d) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	Agreed with the observations.	Measures should be taken to comply with the Circulars.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 5,089,187 as compared with the corresponding surplus of Rs. 5,082,958 for the preceding year, thus observing an improvement of Rs. 6,229 in the financial result. This improvement had mainly been attributable to the decrease of Rs. 29,936,453 in the operating expenditure rather than the decrease in the annual revenue by Rs. 29,930,223.

## 3. Operating Review

### 3.1 Performance

Audit Observation	Comment of the Management	Recommendation
a) Four activities eligible for rewards and incentives had been pointed out under Directive, No. 03(1) of the	Those monies could not be paid as information had not been received from the informants providing information on illegal acts.	Attention should be drawn even more on the objectives of the Fund.

Directives (Rewards and Incentives Fund) for motor vehicles, No. 04 of 2011. However, no payments had been made in favor of the following 03 activities since the inception of the Fund, but the income received by the Fund had been disbursed among the staff as incentives. Had a mechanism been in place for rewarding the said activities, acts such as, illegal assembly of vehicles and alterations made to the vehicles, would have been minimized.

- (i.) Making payments to the informants providing information on the parties involved in making, manufacturing, assembling, designing, adapting, altering, or modifying motor vehicles without approval of the Commissioner General of Motor Traffic.
  - (ii.) Rewarding the persons providing information for the identification of certain illegal acts, or involved in disclosing such illegal acts.
  - (iii.) Making payments not exceeding Rs. 50,000 per annum on the commendable or appreciable activities of the staff of the Department.
- b) The Department of Legal Draftsman had drafted and sent the motor vehicle regulations (surcharges) on rewards and special appreciations on 02 May

2017. However, formulating and imposing regulations as per the Motor vehicles Act in such a manner contradicted to certain other Sections of the same Act. As such, regulations could not be formulated and surcharges could not be imposed.

#### 4. **Accountability and Good Governance**

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##### 4.1 **Budgetary Control**

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Non-compliance -----	Comment of the Management -----	Recommendation -----
Provision totalling Rs. 200,000 had been made for training the staff and commending the sports skills, but the intended activities had not been done. No allocation whatsoever had been made in the year under review for providing rewards-the main objective of the Fund.	Agreed with the observations.	Budget should be prepared in a realistic manner.