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First Session of the Tenth Parliament
of
The Democratic Socialist Republic of Sri Lanka

Second Report of the Committee on Public Accounts

(Examinations Conducted on the Department of Motor Traffic
on 10.03.2025 and 21.03.2025)

Presented by the Hon. Aravinda Senarath,
Chair of the Committee on Public Accounts, on 25th July 2025.

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Presentation of the Observations on the Reports of the Committee on Public Accounts Tabled in Parliament and Steps Taken.

Standing Order 119(4) states as follows:

“A report of the Committee on Public Accounts, once tabled in Parliament shall be referred to the Minister in charge of the subject of Finance and the Ministers in charge of the institutions and the respective Minister shall submit the observations and actions taken in that regard to Parliament within eight weeks, and also submit a statement of actions proposed to be taken with regard to the observations or if the Minister is of the view that particular recommendations may not be fulfilled, the Minister shall explain the reasons in writing and indicate alternative actions, the Minister proposes to take to ensure the proper usage of public finance. If the Committee requires, the committee may invite the relevant Minister to explain the position in person and to answer the questions that arise as to such matters within eight weeks. When Parliament so decides, the report concerned may be referred to the Attorney-General for his observations and necessary action.”

TENTH PARLIAMENT – FIRST SESSION
Composition of the Committee on Public Accounts

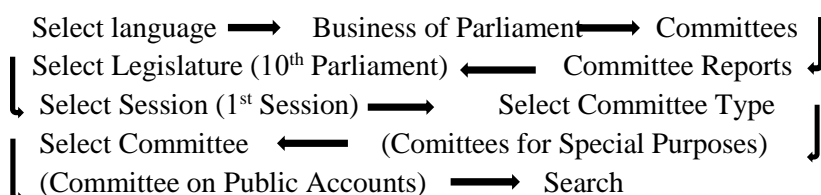
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21. Hon. (Mrs.) Thushari Jayasingha, Attorney-at-Law (w. e. f. 21.03.2025)
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28. Hon. Dinindu Saman Hennayake
29. Chandana Sooriyaarachchi
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Committee Reports

Reports of the Committee on Public Accounts can be downloaded from **www.parliament.lk** by following the path shown below:



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Chairman's Note

In terms of the provisions of Standing Order 119 (3), I present to Parliament the second report of the Committee on Public Accounts, which includes the examinations conducted by the Committee on the Department of Motor Traffic on 10.03.2025 and 21.03.2025, during the first session of the Tenth Parliament.

In accordance with the powers vested in Parliament of Sri Lanka on the control of public finance by Article 148 of the Constitution of the Democratic Socialist Republic of Sri Lanka, and the powers conferred by the Standing Orders of Parliament, the primary task of the Committee on Public Accounts, acting as a financial oversight committee, is to examine the accounts that reflect the appropriation of funds allocated by Parliament for public expenditure, and any other accounts laid before Parliament which the Committee on Public Accounts may deem appropriate.

The contribution of “**Auditing**” a post-process is crucial to the Committee in fulfilling its duties. A proper audit offers solutions to the identified weaknesses and it guides institutions to address past shortcomings to prevent inefficiencies proactively in the future.

The reason for presenting a report to Parliament so promptly, focusing on a single institution, was that the Committee on Public Accounts considered it a very serious matter that the institution had not acted on the clear audit recommendations given as far back as 2012 regarding the investigated institution. In addition, the committee observed numerous clearly identified irregularities within the institution during these investigations.

As the Chairman of the Committee on Public Accounts, I emphasize that it is the responsibility of the political authority to set aside party differences and work with greater dedication than before to overcome the current economic crisis in the country and achieve a prosperous economy and it is the responsibility of all public officials to take proper steps to prevent financial irregularities and corruption in state institutions.

Furthermore, it must be specifically mentioned that it is the responsibility of both the political authority and the chief accounting officers to ensure that the efforts made by the Committee to improve financial discipline and performance in state institutions do not become futile. It is the responsibility of the Chief Accounting officers to give immediate attention to implement the Committee's recommendations and directives, implement appropriate disciplinary actions, and follow up on all actions to bring the relevant recommendations/directives into effect. Beyond this, it is the responsibility of the political authority to take necessary legal action for criminal offenses with the intervention of the Attorney General.

Therefore, the Committee on Public Accounts expects this report to be referred to the necessary legal processes through an appropriate resolution in Parliament.

The success of the Committee on Public Accounts means the outcome of the cooperation of all stakeholders involved. Therefore, I would like to express my gratitude to the chairpersons and member parliamentarians who served in the past Committees on Public Accounts for the steps taken by them to strengthen the public finance mechanism. I also extend my gratitude to the current members who provide me with their full support, regardless of party affiliations, to successfully carry out the committee's work.

I would also like to mention that the Committee wishes to extend its gratitude and appreciation to the Auditor General and his staff for their support in efficiently executing the Committee's work despite various challenges, the officials of the General Treasury, and all officials of the office of the Committee on Public Accounts, including the Secretary-General of Parliament.

Aravinda Senarath
Chairperson
Committee on Public Accounts

Concise Report

This report contains the matters discussed concerning the Department of Motor Traffic, investigated by the Committee on Public Accounts of the first session of the tenth Parliament, explanations given by the Chief Accounting Officer and the directives and recommendations given by the Committee.

The Committee on Public Accounts considered the audit reports for the financial years 2020, 2021 2022 and 2023 and investigated on the present performance of the Department of Motor Traffic on 10.03.2025 and 21.03.2025 and the following institutions were summoned before the Committee.

- Ministry of Transport, Highways, Ports and Civil Aviation
- Department of Motor Traffic

These investigations were based on the facts revealed in the aforementioned audit reports, and further information related to the matters discussed in the Committee is contained within those audit reports. The audit reports can be downloaded via the following links.

Year 2020:-

http://www.auditorgeneral.gov.lk/web/images/audit-reports/upload/2020/Min_Dep/1-x/Head307Department-of-Motor-TrafficS.pdf

Year 2021:-

<http://www.auditorgeneral.gov.lk/web/images/audit-reports/upload/2021/MinDep/1-ix/Head307Department-of-Motor-TrafficS.pdf>

Year 2022:-

<http://www.auditorgeneral.gov.lk/web/images/audit-reports/upload/2022/mindepart/1-xx/Head307Department-of-Motor-TrafficS.pdf>

Year 2023:-

http://www.auditorgeneral.gov.lk/web/images/audit-reports/upload/2023/min_dep/1-ix/Head307-Department-of-Motor-TrafficS.pdf

Special Audit Report Dated 12.09.2023 Titled “Special Audit Report on Fraudulent Entry of Chassis Numbers and and Engine Numbers of Illegally Imported or Assembled Vehicles into the Motor Vehicle Registration data System and Issuance of False Motor Vehicle Registration Certificates - 2022”

http://www.auditorgeneral.gov.lk/web/images/audit-reports/upload/2023/special_report/Special-Audit-Report---RMV-Final-with-sign-Printed-13.09.2023.pdf

Background and Report

The recommendations contained in the 2014 audit report, which addressed the irregularities that occurred in the Department of Motor Traffic in 2012, were not implemented even after a number of follow-up reviews. Consequently, the matter was investigated at the meeting of the Committee on Public Accounts held on 23 October 2019, where the Committee also issued the relevant recommendations.

However, the Department of Motor Traffic has not implemented any of those recommendations so far. Furthermore, the Department has also failed to implement the recommendations contained in the special audit report presented by the Auditor General on 12.09.2023 regarding the Department of Motor Traffic. In addition, the Department has neither provided acceptable justifications for the failure to implement these recommendations nor submitted any progress reports in this regard. Audit reports for the financial years 2020, 2021, 2022, and 2023 have reflected a continued decline in the Department's performance, and public dissatisfaction with the services provided by the Department continues to grow day by day. Due to these reasons, the Committee decided that it was timely to examine the audit reports of the Department of Motor Traffic for the financial years 2020, 2021, 2022, and 2023, along with its current performance. Accordingly, on 2025.03.10, during the 10th Parliament, the Committee summoned officials from the Ministry of Transport, Highways, Ports and Civil Aviation and the Department of Motor Traffic for the first time to appear before the Committee to conduct an inquiry regarding the Department.

At that point, the Committee first inquired into the investigations conducted by the Department regarding the 25 issues raised by the Auditor General concerning illegal vehicle registrations that had occurred prior to the integration with the Customs computer system, the disciplinary actions taken against the officials responsible for those fraudulent activities as highlighted in the recommendations issued during the Committee meeting held on 2019.10.23 as well as the current progress concerning the matters outlined in the special audit report presented by the Auditor General on 2023.09.12.

Since it was observed by the Committee that the Department had not taken any credible action regarding either of the aforesaid recommendations, and that the officials were making some irresponsible statements, such as the fact that the relevant files from the period in question were no longer available within the institution, the irregularities occurred prior to their being attached to the Department, and that the said investigation had become a failure due to the fact that the officers of the departmental committees appointed to further investigate into the matters pointed out by the audit had not submitted reports within the stipulated timeframe and had later received transfers, it was decided by the Committee that a further investigation regarding this Department should be conducted at a future date. For this inquiry, all former Commissioners General who served during the relevant time periods mentioned in the reports and who have since been transferred or retired, as well as officers who previously served on the departmental investigation committees and were later transferred, should be summoned to the next meeting, along with any official or employee from the Department or the Ministry who may be able to provide information relevant to the investigation.

According to that decision, the Committee met for the second time on 21.03.2025, and initially examined the progress of the recommendations made during the Committee meeting held on 23.10.2019. During this meeting, the Committee observed that even though the current officials of the Department were unable to provide the Committee with any acceptable and credible responses, the Commissioner General who served in the Department from March 2020 to August 2022 had made certain efforts to uncover information relating to these 25 issues by identifying 118 related files, implementing enhanced security mechanisms to address vulnerabilities in the Department's data system and lodging two separate complaints, one to the Computer Crime Division of the Financial Crimes Investigation Division (FCID) and the other to the Criminal Investigation Department (CID) to initiate further investigations based on his findings.

However, the Committee further observed that, after the Commissioner General's transfer, all the positive actions taken were halted, and the Committee emphasized the importance of taking legal action regarding the significant financial frauds and criminal activities involved. Despite

the lengthy delay, it was decided that disciplinary actions should be taken against all officials involved in those fraudulent activities. The Committee decided that an independent investigation committee of three or five members, consisting of retired judges, retired Deputy Commissioners of the Auditor General's Department, and/ or retired government officials should be formed to conduct a thorough investigation into the matter, and that this independent committee should carry out a complete review of the issues and present the necessary recommendations with charge sheets, and take further disciplinary actions against the accused officials. In addition, the Committee also decided that a report of the investigation concerning the 118 files presented to the Criminal Investigation Department (CID) in 2020 should be obtained, and the progress of that investigation should be reviewed by the Committee

The 25 points relating to the recommendations made at the meeting of the Committee held on 23.10.2019, which had been identified as audit observations. (Further details are given in Annex I)

1. **Registration of 158 vehicles imported under permits issued to religious institutions** had been done by changing either the permit holder's name or the conditions relevant to the permits. Additionally, **120 vehicles had been registered by changing the year of manufacture as well.**
2. 302 used tractors and motorcycles had been registered after being imported into the country without paying customs duties by fraudulently altering the **packing lists** attached to the respective customs entries pertaining to the import of used small tractors and motorbikes.
3. Five vehicles of the makes named TOYOTA Allion, Premio, Corolla, and Axio imported without paying customs duties using five customs declarations originally meant for importing motorcycle spare parts had been fraudulently registered.
4. Eighteen vehicles, including two Toyota Land Cruiser Prado jeeps, two Mitsubishi Montero jeeps, and four Mercedes-Benz cars had been fraudulently registered using fake customs declaration

numbers that were actually assigned to other types of motor vehicles.

5. A secure computerized network system that would prevent tampering with all the vehicle registration data transmitted by the Department of Customs to the Department of Motor Traffic for registration purposes had not been installed.
6. There had been instances where motor vehicles were registered changing important information such as the year of manufacture, country of manufacture, and cylinder capacity of imported motor vehicles since such details were not linked to the customs computer system.
7. A Mitsubishi Montero jeep that had been imported illegally using the registration number of a decommissioned vehicle or fabricated without paying customs duty and a “Hummer” motor car make without paying customs duty were fraudulently registered.
8. 164 tractors imported under the Milat model had been registered under the Massey Ferguson model.
9. Using customs registration certificates for imported motorcycles and other goods, 26 vehicles including 8 super luxury motor cars such as BMW, Toyota, Prado, and Mercedes-Benz had been fraudulently registered.
10. According to the computer system information as at April 4, 2013 relating to one vehicle, the said vehicle had been recorded as one manufactured in 2004, but during an inspection conducted on April 18, 2013, it was found that the data had been falsely altered to show that the vehicle was manufactured in 2007.
11. Although only dual-purpose vehicles and motor lorries are supposed to be registered under the letter categories P and L, 24 luxury station wagons with five doors had been registered under these letter categories. These 24 vehicles had been originally imported double cabs and Defenders but were later registered as five-door station wagons.

12. Although motor vehicles imported under Carnet Permits should be re-exported, 8 such motor vehicles had been illegally registered.
13. Using import customs registration certificates numbered CMBV 1 - 570 and CMBV 1 - 207, 8 Land Rover cabs had been imported. Out of these, 2 luxury jeeps were registered under the motor car category. Accordingly, vehicles imported under low customs duty harmonized system codes were later registered as motor cars, jeeps, vans, and double cabs.
14. Using customs registration certificate number CMBV 1 - 5636 dated 29.12.2009 and customs harmonized system code 8706, vehicle spare parts were imported and assembled into 23 vehicles. These vehicles were then registered with the department as dual-purpose vehicles by altering the said customs registration certificate.
15. According to the Customs Department, 3 vehicles that had been imported as cabs after paying customs duties, were registered as motor cars.
16. It was observed during the physical inspection that the vehicle imported as an ambulance under Customs harmonized code number 8403 was a luxury jeep. Similarly, 2 vehicles imported as ambulances had been registered as dual-purpose vehicles.
17. 3955 motorcycles had been registered incorrectly/fraudulently indicating that 1977 motorcycles has been imported through 72 Customs entries through which only 120 motorcycles had been imported, and indicating that 2098 motorcycles had been imported through 7 Customs entries, using which no motorcycle had actually been imported.
18. 108 Used motorcycles registered with the Department between 02 June and 06 June 2014 did not match with the information in the computer system of the Customs Department.
19. Two Mitsubishi wagons of the same model were registered under two classes, namely as KN - 4062 and PG - 7755, respectively, as motor cars and dual-purpose vehicles. Similarly, a van imported for the transport of goods was registered as a motor car under the number KN - 3916.

20. 13 motor cars that should have been registered under the letter group K had been registered as dual-purpose vehicles under the letter groups PP to PY, and 4 vehicles that should have been registered as motor cars had been registered as double cabs and vans under the vehicle identification letter groups PA to PM. Furthermore, 4 vehicles that should have been registered as motor cars were registered as motor lorries.
21. During physical inspection, it was observed that the two vehicles registered as a truck and a single cab under the numbers PV - 9789 and PR - 1900 respectively were Land Rover Defender double cabs. These vehicles had been imported under low Customs harmonized code numbers and later converted into luxury cabs.
22. (i) 78 vehicles imported as special purpose vehicles which are 7 years old under Customs harmonized code number 8705 paying a minimum customs duty of 7% had been fraudulently registered as dual purpose cars, 22 vans and 56 motor lorries under customs combination number 8704 for which a customs duty between 85% - 115% should be paid. This had resulted in a huge loss of revenue to the government, in terms of tax revenue and registration fees.
- (ii) As indicated in paragraph (i) above, out of 540 vehicles imported for special purposes under Customs Combination No. 8705 from 2010.01.01 to 2013.10.31, 93 vehicles had been registered as dual-purpose vehicles and another 358 vehicles had been registered as motor cars. Due to this, the government had to lose a revenue of nearly Rs. 6 million in terms of registration fees.
- (iii) In a discussion held on 2014.07.23 with the participation of officers of the Departments of Motor Traffic, Customs and the Auditor General's Departments, the Director General of Customs had informed the Commissioner General of Motor Traffic to take the following action as agreed/decided in that discussion, although no action had been taken accordingly.
- To make it mandatory to obtain a license for the import of special purpose vehicles.

- To register such vehicles as dual-purpose vehicles only after obtaining confirmation from the Director -Excise Duty of Customs Department assuring that the said vehicles have been properly taxed.
 - To inform the Director - Excise Duty of Customs of the details of such vehicles to recover the tax money lost from the vehicles which have been fraudulently/incorrectly registered as dual-purpose vehicles as indicated by audit inquiries.
23. Although 18 vehicles registered with the Department as single cabs and later converted into jeeps were liable for a collection of Rs. 4,320,000 as luxury tax, no action had been taken to recover that.
24. It is observed that when motor vehicle are completely destroyed in an accident or due to natural causes or other reasons, such vehicles are not blacklisted due to the lack of a system to report the matter to the Department of Motor Traffic. Registration certificates had been issued with the details of vehicles that were fraudulently assembled or otherwise modified using the vehicle numbers of vehicles destroyed in the above manner.
25. The Hyundai vehicle, manufactured in Korea in 2001 and imported into the country on 16.08.2004, had been fraudulently/falsey registered by the Department as a Land Rover Defender manufactured in the United Kingdom in 2011, 11 years later, i.e. on 22.07.2015, under the number CAI - 0469. Also, this registration had been carried out by the Deputy Commissioner of the Motor Car Transfer Division, who was on acting duty for the Assistant Commissioner of the Commercial Vehicle Registration Division on that day, as the aforesaid officer was on leave, and the said file had not been submitted for audit till now.

Thereafter, the Committee, which also investigated the matters contained in the Special Audit Report of 2022 submitted by the Auditor General dated 12.09.2023, emphasized that the committee cannot be satisfied at all with the actions of the Department, since no officer responsible for fraud had been punished so far through the actions taken at the departmental level, and recommended that the examination of the

matters contained in the Special Audit Report be assigned to the same Special Investigation Committee consisting of retired judges and retired government officials mentioned above.

Here, the Committee which drew attention to the fact that the officers appointed to the Departmental Investigation Committee on two occasions had not fulfilled their professional responsibilities in accordance with the provisions of the said letters of appointment and the Establishments Code, recommended the Chief Accounting Officer to conduct an investigation regarding the failure of the said officers to fulfil their responsibilities and to report the findings to the Committee.

Thereafter, the analysis of the matters indicated in the audit reports for the financial years **2020, 2021, 2022 and 2023** relating to the Department of Motor Traffic and the current performance of the Department were examined, taking into account the following matters;

(Further details are given in Annexure II)

1. The government has lost a total revenue of Rs. 78,150,000/- due to irregularities in the registration of motorcycles imported into the country without following the legitimate customs procedures, and subject to a surcharge based on fuel capacity, in accordance with the Cabinet decision No. 16/1307/709/061 and dated 07 September 2016, and due to the registration of 3088 motorcycles after the grace period in violation of the Cabinet decision.
2. The government has lost a total revenue of Rs. 1.2 billion for the registration of 134 vehicles imported as fraudulent motor vehicle registration certificates had been issued for the said vehicles by changing the chassis and engine numbers systemized under the previous vehicle registration numbers and fraudulently substituting with the engine and chassis numbers of the vehicles thus imported.
3. The government has lost Rs. 6.2 million in revenue due to fraudulently issuing vehicle registration certificates for unused blank numbers.
4. The government has lost Rs. 122 million in revenue due to registering other vehicles for the revoked foreign diplomatic vehicle numbers.

5. The government has lost Rs. 4.6 million for 5 vehicles due to registering vehicles keeping blank space for some numbers, instead of issuing vehicle registration numbers sequentially.
6. The chassis numbers of 538 vehicles have been changed to register illegally imported vehicles under the guise of assembling and the chassis numbers of 27 illegally imported vehicles have been changed during the conversion of petrol vehicles into diesel vehicles in 2022 and the old vehicle numbers of 130 vehicles have not been removed from the system to convert petrol vehicles into diesel vehicles.
7. Failure to conduct a formal investigation into the preparation of forged documents and failure to take the necessary legal action in this regard `
8. Vehicles which used with no prior registration and later discarded by the tri-forces have been registered with the Department of Motor Traffic.
9. Failure to collect rent from the Restaurant in Werahera and other institutions that were rented out resulted in the loss of Rs. 6.6 million in terms of tax, due for the period from 2019 to 2023 for the restaurant, which is frequented by the public in large numbers.
10. Failure to take steps to formally blacklist vehicles and revoke their registration.
11. Issuing of motor vehicle registration certificates in a way that is not in compliance with the Motor Traffic Act (Chapter 203).
12. Due to the irregular allocation of CMT chassis numbers - 1761 of CMT chassis numbers had been issued as at February 2025.
13. Frauds and corruption in the printing of driving licences - As it has been agreed at present to supply the service of printing driving licences at a price that is much lower than the price that had been agreed in 2016, the amount that has been overpaid earlier is more than one billion rupees.

14. Due to the printing of provincial identification letters on number plates of vehicles, when the ownership of a vehicle is transferred between provinces, new number plates and stickers have to be printed repeatedly, and it has resulted in the payment of Rs. 931 million to a private company for that unproductive matter.
15. Failure to take appropriate action regarding the irregularities that have taken place in issuing of driving licences at the Matara Branch of the Department of Motor Traffic by giving false marks to applicants who had not been qualified to do the written and the practical tests that need to be passed and by issuing them with valid driving licences.
16. An amount of Rs. 162.4 million had been spent on purchasing 1.8 million “L” plates that are not allowed to be used for training according to normal practice in terms of the Motor Traffic Act.
17. Despite the Cabinet approval to close down the Vehicular Emission Testing Trust Fund after settling its liabilities, the Board of Trustees of that Fund had continued to operate the Fund.
18. An extraordinary sum of Rs. 154.1 million and Rs. 181 million had been spent in the years 2023 and 2024 respectively on the maintenance and servicing of the computer software (SRITIS) that is used for printing driving licences.
19. In the contracting of services and maintenance of the printers used for printing driving licences, the concept of value for money had been disregarded and a contract had been entered into with a private institution for a sum of Rs. 14.7 million, which is too high, for the services and maintenance of two printers that had been purchased in 2017.
20. When awarding the contract for printing driving licences to a private company, quotations had been called from only one private company without following a procurement process, and an agreement had been entered into with that company from 15.09.2023 and an amount of Rs. 134 million had been overpaid during the period 2023 to July 2024.

21. It has been revealed that, during the last nine months, under the one-day service for issuing driving licences, 300 to 400 driving licences had also been printed per day for the applicants who had applied under the normal process, and it has also been revealed that such licences are being sold for Rs. 5000/- each, which is illegal.
22. Irregularities had been committed in the purchase of driving licence cards, and 400,000 cards had been purchased under the national competitive bidding system, which was not in accordance with the national procurement guidelines, and the security features of the proposed card had been determined without including the main security features and printing features that should be there on the said cards.
23. The contracts for the system of collecting fines for violations of traffic rules that are not brought before the court and the system of implementing the demerit points for drivers had been awarded to suppliers who had been selected irregularly and without a proper project identification, and a huge amount of Rs. 1905 million had been paid for the expected period of five years to provide a guarantee of 1.5 million transactions per year.
24. In issuing International Driving Permits, in addition to the fees to be charged for issuing International Driving Permits for applications submitted by the Automobile Association of Ceylon, an amount of Rs. 527.3 million had been charged illegally in the years 2023 and 2024, and an illegal driving permit called "Recognition Permit" had been issued by charging an amount of Rs. 8466/- without any legal basis to the International Driving Permit holders who had arrived in this country.
25. Irregularities that had occurred due to the revision of the contract price for the supply of number plates with the vehicle identification number in contravention of the Procurement Guidelines.

Since the officers of the Department failed to provide acceptable answers regarding the above-mentioned matters, too, the Committee, which severely criticized the actions and performance of the Department of Motor Traffic, considering the seriousness of all the matters discussed, recommended to the relevant parties that disciplinary action

should be taken through the Investigation Committees of the Department against the officers involved in these irregularities, that the progress of the said investigations should be reported to the Committee on a monthly basis, that this Department should be summoned before the Committee on a monthly basis to review the progress of the Department's performance, and that an investigation should be conducted regarding the acceptance of applications from the Automobile Association of Ceylon for the issuing of International Driving Permits and that its progress should be reported to the Committee within a month.

It was further decided that those who have committed the criminal offences related to fraud and corruption mentioned herein should be punished through judicial proceedings in accordance with the existing laws of the country, and for this purpose, this report should be submitted to Parliament and the criminal law should be enforced against corrupt officials through law enforcement agencies through a resolution of Parliament.

Issues observed during the Examinations

As a whole, the following issues were observed in the Department of Motor Traffic during the examinations by the Committee on Public Accounts:

1. Failure to implement the previous recommendations of the Committee on Public Accounts and failure to provide acceptable, positive responses to the recommendations of the Committee.
2. Failure to implement the recommendations mentioned in the audit reports based on the audit investigations of the Auditor General and failure to provide acceptable, positive responses to audit queries within the due timeframes.
3. The fact that the officers of the Department had been tempted to act disregarding even the decisions/approvals of the Cabinet.
4. That there are delays in taking disciplinary action against the accused officers due to the lethargic functioning of the Department.
5. That there is a tendency within the Department to acquit and release the accused officers citing the inability to find information instead of punishing such officers.
6. Departmental investigations committees not being orderly and the officers that are appointed / have been appointed to them acting in an irresponsible manner.
7. Failure to take disciplinary action according to the due procedure even against the officers who are suspects of undisciplined acts that have been clearly identified by the investigation committees.
8. By not separately conducting the investigations for the acts that need to be investigated separately and by combining several investigations, important matters relating to some of the investigations are left unnoticed and they do not get investigated.
9. Internal audits of the Department are not conducted systematically and there is no proper follow-up mechanism.

- 10.** Failure to keep the computer systems of the Department up to date, failure to use proper security systems for them, failure to introduce an online system linking the regional offices of the Department and weaknesses in system management.
- 11.** Serious problems in maintaining and managing files.
- 12.** Failure to act in compliance with the Motor Traffic Act in issuing International Driving Permits.
- 13.** Failure to properly manage the physical resources of the Department.
- 14.** Entering into unrealistic service agreements for the repair of the machines belonging to the Department.
- 15.** Unnecessarily outsourcing of the functions of the Department to external institutions resulting in a huge waste of money.
- 16.** Failure to properly fill the vacancies in the staff and failure to properly perform the administrative functions of the Department such as confirmation of service of the employees.
- 17.** Failure to timely amend the relevant laws.

Recommendations of the Committee

1. That the relevant investigations should be conducted on fraud, corruption and irregularities that have occurred in the Department of Motor Traffic, the punishment should be imposed on the offenders in terms of the existing disciplinary procedures in the respective institution and the Establishment Code and that it is mandatory for the disciplinary authorities to conduct disciplinary inquiries for that purpose;
2. That there should be a positive intervention and supervision on the part of the Chief Accounting Officer of the Ministry of Transport, Highways, Ports and Civil Aviation in regard to all the departmental inquiries;
3. Since, the Auditor General's reports for the financial years 2020, 2021, 2022 and 2023 and the special audit report which was submitted on 12.09.2023, have exposed a number of irregularities in the department resulting in large-scale financial frauds depriving the government of its due revenue, further investigations should be carried out based on the reports concerned;
4. That the relevant disciplinary authorities should conduct disciplinary inquiries and take disciplinary action against the officers who are responsible for the acts of fraud, corruption and irregularities which were exposed by the audit reports referred to above and that the progress of the disciplinary inquiries concerned should be reported to the Committee on a monthly basis;
5. That the perpetrators ,in relation to the criminal offenses which are exposed in disciplinary inquiries, should be punished through judicial proceedings in accordance with the prevailing law of the country;
6. That the relevant reports regarding the criminal offences which were exposed in the audit reports and brought to light before the Committee, should be forwarded to the Attorney General by way of a resolution of Parliament and the perpetrators should be punished by law enforcement agencies;

7. That a strong internal audit mechanism and a proper monitoring and follow-up mechanism should be established within the Department;
8. That a more secure computer system that suits the current needs of the Department should be established immediately, networking all the regional offices of the Department with the system while taking steps to prevent irregularities such as misuse of passwords given to users, deletion of existing data in the system and feeding new data, deleting old data making recovery impossible and issuing vehicle registration numbers leaving some numbers blank instead of issuing vehicle registration numbers in sequence;
9. That the above-mentioned computer system should be linked with the institutions such as Sri Lanka Customs, the Department of Import and Export Control, and the Department of Inland Revenue to prevent the possibility of irregularities and provide more efficient services;
10. That a more accountable system should be established to maintain and manage files, and that a more secure system should be established through the digitalization of all documents in the future;
11. Making recommendations to the Accounting Officer of the Department to conduct an inquiry into the issuance of international driving licences and report to the Committee as it has been observed that the issuance of international driving licences has not been done in accordance with the Motor Traffic Act;
12. Making recommendations to the Chief Accounting Officer of the Ministry of Transport, Highways, Ports and Civil Aviation and the Accounting Officer of the Department of Motor Traffic to appoint an independent special committee of inquiry comprising three or five members, including retired judges, retired officers of the Department of the Auditor General at the level of Deputy Auditor General and/or retired public officers, to conduct a full inquiry into the 25 matters (as set out on page 12) relating to the recommendations made at the Committee meeting that was held on 23.10.2019, which were identified as audit observations, yet not implemented even after numerous follow-ups, and to submit the necessary preliminary recommendations, charge sheets and take the relevant disciplinary actions against the relevant accused officers in

accordance with the recommendations of the said committee of inquiry;

13. Making recommendations to the Accounting Officer of the Department of Motor Traffic to obtain an investigation report from the Department in relation to the 118 files submitted to the Criminal Investigation Department by the Accounting Officer of the day during the departmental inquiry conducted in 2020 regarding the 25 matters mentioned in number 12 above and to report to the Committee on the progress of the inquiry;
14. Making recommendations to the Chief Accounting Officer to assign the examination of the matters contained in the 2022 Special Audit Report submitted by the Auditor General on 12.09.2023, to the same Special Investigation Committee consisting of retired judges and retired government officers , mentioned in page 12 above;
15. That the Department of Motor Traffic should be regularly summoned before the Committee and its performance should be examined; and
16. Having considered the facts contained in the report No. MT/ 04/ 14/ 02/ 02-2025 of the Secretary to the Ministry of Transport, Highways, Ports and Civil Aviation, dated 23.14.2025, the Committee refused to accept those facts as fair and justifiable, and therefore, disciplinary action should be taken against the officers who were appointed to the Investigation Committees for not completing the investigations and submitting the reports within the stipulated time, and for acting negligently and irresponsibly. [Continues on page 35 - Department of Motor Traffic.]

ANNEXES

Annex I

1. The Report which Indicates the Measures Taken Regarding the 25 Audit Observations as per Directive No. 05 at the Meeting of the Committee on Public Accounts Held on 23.10.2019

As the Committee is not satisfied with the measures taken so far regarding the following matters according to the information available at the Department, the Committee agrees to appoints a Committee of Inquiry independent of the Department to function subject to the recommendations given by the Committee on Public Accounts and to have it to conduct a full inquiry and the Commissioner General of the Department of Motor Traffic has informed that the Department would provide all the necessary facilities for the process.

S.No.	Audit Observations	Measures Adopted and Present Progress
1.1	Registering 158 vehicles imported on permits given to places of religious worship by altering either the name of the licence holders or conditions of transfer pertaining to each permit and altering the year of manufacture in registering 120 vehicles.	<p>An initial investigation has been conducted into the instances of registering vehicles in favour of someone other than the temple patrons society and registering vehicles excluding the conditions.</p> <ul style="list-style-type: none"> • It has not been possible to find the original files of registration for the initial investigation. • The initial investigation report has been prepared basing on the preliminary statements of 27 officers. • The following disciplinary action has been taken regarding officers of the Department as per the initial investigation conducted regarding 73 vehicle numbers pointed out by the audit. <ol style="list-style-type: none"> i. Accused 1: Mr. N.P. Kekulandala (Sri Lanka Administrative Service) - The conducting of a formal disciplinary inquiry against him has been assigned to the Secretary to the Public Service Commission, who is the disciplinary authority of the officers concerned, by letter No.

		<p>DMT/H/E/01/D/KEKU dated 03.09.2014.</p> <p>It has been informed by the letter No. PSC/DIS/096/2024 of the Office of the Public Service Commission that it had been decided to end the disciplinary action.</p> <p>ii. Accused 2: Mr. R. Easwaralingam (Department Clerk) – Action has been taken to reinstate him at the end of the formal disciplinary inquiry.</p> <p>• 85 of the vehicles had not been taken into consideration during the preliminary investigation due to the differences existing between the information pointed out by the audit, information available in the documents furnished by the Comptroller of Imports and Exports, and information contained in the documents presented by the Department of Customs.</p>
1.2	The Packing Lists pertaining to the Custom Entries on import of used tractors and motorbikes had been altered fraudulently and 302 vehicles concerned had been registered without paying proper customs duties.	It is not possible to find information to the effect that a preliminary inquiry or a formal disciplinary inquiry has been conducted in this regard.
1.3	05 vehicles of Toyota make in models Allion, Premio, Corolla and Axio imported using 05 customs entries for imported motorbikes and replacement parts had been registered fraudulently.	Although the files were searched for, it was not possible to find them and the officers who performed duties at that time are no longer present in the Department. However, internal controls have been strengthened to prevent lapses at present.
1.4	18 vehicles including 02 Toyota Landcruiser Prado jeeps, 02 Mitsubishi Montero jeeps and 04 Mercedes Benz cars had been registered fraudulently using customs entries pertaining to other vehicles.	The audit paragraph pertaining to one vehicle has been denied. It has been stated in the report presented to the Committee on Public Accounts on 07.11.2019 that the officers in service at that time will be questioned and on the remaining 17 files and the follow-up action will be taken.
1.5	A computer network in which no information transmitted by the Department Customs to	A computer network in which no information transmitted by the Department Customs to the Department of Motor Traffic for

	the Department of Motor Traffic for registration purposes could be altered had not been established.	registration purposes could be altered has now been established, which took effect on 07.07.2020.
1.6	There have been instances when vehicles had been registered by altering their important information such as year of manufacture, country of manufacture and cylinder capacity as the custom computer system had not been linked.	This state of affairs has been rectified, with effect from 07.07.2020.
1.7	A Mitsubishi Montero jeep imported or assembled illegally using the registration number of a vehicles removed from running and a Hummer car imported without paying customs duties had been registered.	The file dated 31.10.2012 pertaining to the Hummer bearing registration number KU 7179 has not been presented to audit. If the car concerned were one auctioned by the Customs as pointed out by the audit, its registered status should have been Bought from Auction.
1.8	164 tractors imported under Millat model had been registered under Massey Fergusson model.	The tractors manufactured by Millat Tractors Limited in Pakistan and released to the market of this country have been imported under the trade name Massey Ferguson. The tractors have been registered in this Department according to this importation information. The webpage www.millat.com.pk confirms that Millat Tractors Limited manufactures Massey Ferguson tractors. Because of the objection by Browns to import tractors under the trade name concerned, the company has stopped tractors under the name. Registration has been carried out only in respect of the tractors which have been imported.
1.9	26 vehicles including 08 super luxury vehicles such as BMWs, Toyota Prados and Mercedes Benz had been registered using customs entries for motorbikes and other vehicles imported.	Files pertaining to the 26 vehicles cited under this audit paragraph have been found and registration information pertaining to 03 of the vehicles are as follows: The vehicle bearing registration LK 1301 has been registered in favour of the Sri Lanka Army, and the vehicle has been inspected and it was found that it has been registered as a lorry according to weight certificate obtained.

		<p>The vehicle bearing registration number KU 7616 is a Micro car. A prototype approval has been given for this vehicle and accordingly, it has been registered as a car.</p> <p>The vehicle bearing registration number KI 4219 was imported under HS Code 8703 and registered as a car.</p> <p>According to the system, it can be proved that the other vehicles have been registered upon the connection of Customs.</p> <p>Although it has been stated that the registration of these vehicles is correct, the replies have been given without a proper inspection to compare the chasis numbers released by the Customs and the chasis numbers under which they have been registered at the Department of Motor Traffic.</p>
1.10	<p>Although it had been mentioned that the vehicle in question was manufactured in 2004 as per the information shown in the computer system as at 4th April 2013, the inspection carried out on 18th April 2013 revealed that its data has been fraudulently altered to show it to have been manufactured in 2007.</p>	<p>A the Customs link and the register containing the information at this Department was obtained pertaining to the vehicle bearing registration number PE 6802. Column 10 of the register states 2007 as the year of manufacture.</p> <p>Nevertheless, an inspection in www.jpcenter.ru confirms the year of manufacture to be 2007. Accordingly it necessary to investigate the contradiction regarding this motor vehicle.</p>
1.11	<p>Although only dual purpose vehicles are registered under P and L series, 24 luxury 5-door station wagons had been registered under these letter series. These 24 vehicles had been imported as double cabs and defenders and registered as 5-door station wagons.</p>	<p>The vehicles referred to in the audit query are LG 8080, PF 3552, PF 1643, PE 8985, PE 5126 and PF 5803. Having observed that the files had been inspected and observations had been presented to the effect that the vehicles have been properly registered with the Department to tally with the Customs clearance and that the vehicles were put to use after changing them physically without the prior approval of the Commissioner General of Motor Traffic it had been identified that the Department should inspect the vehicles in question and take follow-up action but no such action has been taken.</p>

1.12	Although cars imported on Carnet Permits should be reexported, 08 such vehicles had been registered in an irregular manner.	The system confirms that all these 08 vehicles were registered upon the Customs involvement. However, there is no proof to the effect that this information was compared with and verified against the Customs information.
1.13	08 Land Rover cabs had been imported using customs entries CMBV I – 570 and CMBV I – 207. Two of the vehicles had been luxury jeeps and registered under motor car category. As such, vehicles had been imported under HS Codes carrying low Customs duties and later registered as cars, jeeps, vans and double cabs.	The system confirms that these motor vehicles were registered upon Customs connection. However, no information is available to the effect that the matter was verified with the Department of Customs.
1.14	The vehicle had been imported as replacement parts through Custom entry CMBV I – 5636 dated 29 th December 2009 and HS code 8706 and later assembled as 23 vehicles and registered as dual purpose vehicles by altering the Customs entry.	When the body of the 23 vehicles had been completed and weighed the gross weight was found to be less than 3500 kg and hence falls under the dual purpose category according to the classification under the Motor Traffic Act. As such, the vehicles have been correctly registered as dual purpose vehicles according to the Motor Traffic Act.
1.15	03 vehicles imported paying duty as cabs had been registered as motor cars, according to the information of the Department of Customs.	Out of the files pertaining to the vehicles concerned, the file in respect of the vehicle bearing registration number KX 8089 has been found and it has been imported under HS 8704 according to the Customs entry. The vehicle has also been subjected to a physical inspection and as such, the recommendation has been given to register it as a motor car. The audit queries and replies imply that some contradiction exist.
1.16	The vehicle that had been imported under HS Code 8403 and registered as an ambulance was found to be a luxury jeep upon the physical inspection. At the same time, two vehicles imported as ambulances had been registered as dual purpose vehicles.	The vehicles bearing registration numbers LW 0115, LW 0086 and LW 0197 had been registered as ambulances in this Department and were later converted as dual purpose vehicles on 04.07.2012, 04.07.2012 and 28.10.2014 respectively.

1.17	3955 motorbikes had been registered by falsely/ fraudulently showing that 1977 vehicles had been imported using 72 Customs entries under which only 120 motorbikes had been imported and showing that 2098 vehicles had been imported under 07 Customs entries under which no vehicles had been imported.	All the user loggings to the information systems by all relevant officers have been identified pertaining to the information on the vehicles referred to and information pertaining to the registration and transfer of such vehicles for the purpose of assigning an organization external to the Department to conduct an independent investigation into whether a fraud has occurred in this regard.
1.18	108 used motorbikes regarding with the Department from 2 nd June 2014 to 6 th June 2014 did not tally with the information in the Department of Customs Information system.	All the user loggings to the information systems by all relevant officers have been identified pertaining to the information on the vehicles referred to and information pertaining to the registration and transfer of such vehicles for the purpose of assigning an organization external to the Department to conduct an independent investigation into whether a fraud has occurred in this regard.
1.19	The two Mitsubishi wagons of the same model bearing registration numbers KN 4062 and PG 7755 had been registered as a motor car and a dual purpose vehicle. At the same time, a van imported for goods transport had been registered as a motor car under registration number KN 3916.	Although these vehicles should have been registered as motor cars according to the HS Code, they have been registered as dual purpose vehicles.
1.20	13 motor cars that should have been registered under K series had been registered as dual purpose vehicles under PP to PY series and 04 vehicles that should have been registered as motor cars had been registered as double cabs and vans under PA to PM series.	No information is available to the effect that the accuracy of this was confirmed, according to the information transmitted from the Sri Lanka Customs.
1.21	The two vehicles bearing registration numbers PV 9789 and PR 1900 and registered as a truck and a	An Ashoka Leyland vehicle has been registered under PV 9789 and a Land Rover has been registered under PR 1900. Although the physical

	single cab were found to have been Land Rover Defender model double cabs upon physical inspection. These had been imported under lower HS Codes and converted as luxury cabs later.	inspection has determined it as Land Rover Defender double cab, this is a single cab according to the information available in this Department.
1.22	(I) Out of the 78 vehicles that had been imported as 7-year old special purpose vehicles paying a low Custom duty of 7% under HS Code 8705, fraudulent registration has been effected in respect of 22 dual purpose vehicles and vans 56 motor lorries warranting a duty of 85%-115% under HS Code 8704.	This problematic situation has arisen because the Commissioner General of Motor Traffic had taken action to register these vehicles under dual purpose vehicles and other categories using his powers whereas ZA series had been introduced in the Department of Motor Traffic for registering special purpose vehicles. While the vehicles concerned could have been registered under ZA series by entering a condition in the registration certificate to the effect that the vehicles could not be modified for passenger transport and goods transport so that no controversy arises, he has acted in a manner which led to this situation. It is observed that so far 507 vehicles have been registered in this manner and the loss in custom duties is over three million rupees per vehicle.
	(II) Out of the 540 vehicles imported for special purposes under HS Code 8705 from 1 st January 2010 to 31 st October 2013 as stated in Paragraph 5.22 (I), 93 vehicles had been registered as dual purpose vehicles and 358 other vehicles had been registered as motor cars. As a result, the government had lost approximately six million rupees in registration fees.	—Do—.
	(III) Although the Commissioner General of Customs had informed the General of Motor Traffic to take action as per the agreement reached at the discussion held on 23 rd July 2014 with the participation of	Information could not be found on the implementation of the decisions agreed at the meeting on 23 rd July 2014. The difference as to charging of customs duties has been rectified as per the recommendations that were given by a Committee appointed according to a directive given by the Committee on Public

	<p>officers of the Department of Motor Traffic, Auditor General's Department and Department of Customs, General of Motor Traffic had not acted as follows:</p> <ul style="list-style-type: none"> • Making it compulsory to obtain a licence for the import of special purposr vehicles • Obtaining a confirmation from the Director (Excise Duties) at Customs on whether relevant taxes have been paid, before registering vehicles as dual purpose vehicles • Informing the Director (Excise Duties) at Customs of the vehicles falsely/fraudulently registered as dual purpose vehicles, which were unveiled by the audit queries. 	<p>Accounts to the Secretary to the Ministry of Finance. The Department of Motor Traffic has introduced PZA series for registering the vehicles concerned and acted accordingly.</p>
1.23	<p>Although Rs. 4,320,000 should have been recovered as luxury vehicle tax for 18 vehicles which had been registered at the Department as single cabs and subsequently converted as jeeps, action had not been taken to recover that money.</p>	<p>A printed copy was obtained on the information contained in the computer system of the Department after the registration of these single cabs. According to the copy, an illegal transformation without obtaining a proper permission in terms of section 19A of the Motor Traffic Act is observed in the vehicles in question. Action will be taken to inform all the present owners of these vehicles to subject their vehicles to an examiner of motor vehicles. Instructions have been issued to the effect that if the vehicles are found transformed thereafter without permission, action should be action to revoke the registration and take legal action according to what is revealed in terms of section 18(2) of the Motor Traffic Act.</p>
1.24	<p>It is observed that vehicles that are completely wrecked by accident, derelict in the course of nature or destroyed otherwise are not entered in the black list as there is no methodology for reporting of it to the Department of Motor</p>	<p>I kindly report that as it was not observed that the vehicle bearing registration number HB 8907 pointed out by the audit had not been submitted to the Department of Motor Traffic for a physical inspection, the owner of the vehicle has been instructed to submit the vehicle to a physical inspection and</p>

	Traffic. Registration certificates had been issued for vehicles assembled or processed fraudulently by using the numbers of such vehicles.	that further action will be taken according to what transpires at such inspection.
1.25	A vehicle of Hyundai make manufactured in Korea in 2001 and imported to Sri Lanka on 16 th August 2004 had been fraudulently / falsely registered by the Department 11 years later, i.e. on 22 nd July 2015, as a Land Rover Defender manufactured in the UK in 2011 under registration number CAI 0469. The Deputy Commissioner of the Motor Car Transfers Division covering duties for Assistant Commissioner of the Commercial Vehicles Registration Division, who had taken leave of absence on the date of registration referred to above, had effected this registration. The relevant file has not been submitted for audit so far.	According to the information entered in the computer system of the Department of Motor Traffic, the registration of the vehicle bearing registration number CAI 0469 has been revoked. Action is being taken against the officer involved in this scam.

2. A Report Outlining the Measures Taken Regarding the Facts Pointed out by the Special Audit Report of 2022

Directives of the Committee	Measures Taken and Present Progress
A report be presented to the Committee outlining the information unveiled by the Committee of Inquiry appointed to examine the matters pointed out by the Special Audit Report 2022 and the disciplinary action taken so far against the responsible parties based on the information so unveiled.	The Commissioner General of Motor Traffic had, by his letter No. DMR/H/IN/2023/Investigation–XVII dated 04.12.2023, appointed a three-member committee to conduct an investigation to look into and report on any misconduct on the part of the officers in respect of the matters stated in paragraphs 9.2 to 9.2.2.5 of the Audit Report dated 19.10.2023 referenced PES/C/SPR/01/13 by the Auditor

	<p>General. Although the Committee had been directed to conduct the investigation and report within 21 days, the Committee had merely met on three occasions and left the Department obtaining transfers without conducting a formal inquiry on the subject matter assigned to them and without submitting a report. Subsequently yet another three-member committee was appointed on 28.08.2024 but neither have they conducted a formal inquiry nor presented a report, despite the lapse of over 06 months since.</p>
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Annex II

**Department of Motor Traffic
Auditor General's Reports for the
years 2020, 2021, 2022, 2023 and
Review of Current Performance**

**Meeting of the
Public Accounts Committee
10 March 2025 at 2.00 p.m.**

**National Audit
Office**

1. General

1.1 Establishment

The Department of Motor Traffic was established in 1928 with the objective of registering motor vehicles and issuing driving licenses. It has been vested with legal provisions through Chapter 203 and its amendments.

1.2 Vision

“Excellence through a responsive organization that regulates and controls motor vehicles through a standardized and technically driven process”

1.3 Mission

“To create a responsive organization through the effective implementation of the Motor Traffic Act and other laws and regulations through collective efforts and the efficient use of new technology”

1.4 Objectives

- To equip the department with effective and efficient technologies
- To provide superior customer service through improved infrastructure
- To create an effective and efficient office management system
- To ensure the smooth implementation of relevant regulations to improve service processes

1.5 Main Functions

- New registration of motor vehicles that can be driven
- Registration of vehicle ownership transfer
- Issuance of driving licenses
- Provision of technical services related to motor vehicles
- Regulation of air emission conditions
- Formulation of policies on road safety

1.6 Composition of the Department

The functions related to vehicle registration and transfers of the Department of Motor Vehicles are carried out by the Narahenpita Head Office, Anuradhapura, Gampaha, Kurunegala, Hambantota and Jaffna branches, while the issuance of driving licenses is carried out by the Werahera Office and 25 district offices.

2. Progress in implementing the orders made by the Public Accounts Committees held on **2019.10.23, 2019.09.06, 2019.02.20, 2018.10.12** and **2018.07.06**

Serial No.	Reference to orders	The order given	Audit Observation and Current Status
2.1	Orders of the Committee Meeting held on 23.10.2019 No. 05	<p>To submit a report to the Committee on when the Department was formally connected to the Customs Computer System, which vehicle categories are currently connected to the Customs Computer Network, if any, which vehicle categories are not yet connected to the Customs Computer Network, and when those vehicle categories are expected to be connected to the Customs Computer System.</p> <p>A report separately stating the current status, including the investigations carried out and disciplinary actions taken against the officers responsible for the 25 matters presented by the Auditor General regarding illegal vehicle registrations that occurred prior to their connection to the Customs</p>	<p>Action had not been taken as per the committee's order.</p> <p>Action had not been taken as per the committee's order.</p>

		<p>computer system, should be submitted to the Committee.</p> <p>Copies of all reports ordered by the Committee shall also be submitted to the National Audit Office on the same day.</p>	<p>Action had not been taken as per the committee's order.</p>
2.2	Order No. 07	<p>To implement the order given by the Public Accounts Committee on 20 February 2019 to conduct an investigation at the institution level into the 10 vehicles registered subsequently under category 302 and submit a report thereon, and to carry out the investigation work expeditiously and efficiently.</p>	<p>Investigations had not been conducted, a report had not been prepared, and the law had not been enforced against the individuals and officials involved in the fraud.</p>
2.3	Order No. 08	<p>A report on the current status of the e-motoring project and the expected dates for the implementation of the project will be submitted to the Committee before October 30, 2019</p>	<p>A study had not been conducted and a report had not been prepared on the feasibility of implementing the e-motoring project as a new project, analyzing the legal and practical obstacles that have arisen regarding this project, which</p>

			was expected to be implemented in previously.
2.4	Order No.09	Informing the Committee of the actions taken on the recommendations made by the Auditor General regarding the registration of seven vehicles at the Department of Motor Traffic using data transmitted with errors by Sri Lanka Customs and which were not cleared.	No complaints had been filed with the law enforcement institutions to take action under the Penal Code against the officers who cancelled the registration of these 07vehicles and submitted false documents and the officers who supported them.
2.5	Order No.10	Planning new procurement activities under the BOO basis without taking steps to take over the issuance of driving licenses to the department and Submitting a report before October 30, 2019 stating the reasons for stating that there is difficulty in taking over the process of issuing driving licenses to the government.	Such a report had not been prepared and submitted to the Committee.
2.6	Orders of Committee meeting held on 2019.09.06 No .07	Conduct a system audit by the University of Moratuwa or the University of Colombo regarding the problems existing in the IT system used for vehicle registration at the Department of Motor Traffic	A system audit had not been conducted as ordered.

2.7	Orders of Committee meeting held on 2019.02.20 No .5 - IV	Arrangements to have vehicle number plate printing carried out by the Sri Lanka German Technical Training Institute.	Action had not been taken as per the committee's order.
2.8	Orders of Committee meeting held on 2018.10.12 No. 6- IX	Informing the Committee of the progress of the investigation into the seven Prado type jeeps that have been falsely registered under 5hand tractor chassis numbers and 2unclear chassis numbers.	As per the recommendation s of the investigation conducted by the Ministry of Public Administration, charge sheets had not been issued against the relevant officers and disciplinary action had not been taken forward
2.9	Orders of Committee meeting held on 06.07.2018 No. 07 - II	To submit a report to the Committee indicating the implementation of the procedures required to conduct the written examination for the issuance of driving licenses online in all district offices throughout the island.	Except for the Werahera office, which is responsible for issuing driving licenses, none of the 25district offices had developed the systems required to conduct the examination online.

3. Review of the findings and current performance in the Auditor General's reports for the years 2020, 2021, 2022 and 2023

3.1 As per the Cabinet Decision No. CP/16/1307/709/061 and dated 07 September 2016, the motorcycles imported without legal customs procedures, registration with the Department of Motor Traffic subject to surcharge based on fuel capacity.

- I. Although the surcharge to be levied on motorcycles in the 201 - 250 CC engine capacity category is Rs. 200, 000 as per the decision of the Cabinet of Ministers, 55 motor cycles were registered by charging only a fee ranging from Rs. 50, 000 to Rs. 65,000 which is not in accordance with the surcharge, thus losing revenue of Rs. 8,080,000 due to the government.
- II. Although the Cabinet decision included a surcharge of Rs. 350,000 for motorcycles in the 251 – 450 CC engine capacity category, 241 motorcycles were registered with a fee ranging from Rs. 50,000 to Rs. 300,000, thereby losing revenue of Rs. 70,070,000 to the government.
- III. According to the decision of the Cabinet of Ministers, registration should have been completed within a grace period of 04 months from the date of 30th August 2016, when the media statement regarding the said concession was issued to the public, however, 3088 motorcycles had been registered without Cabinet approval and without the necessary legal documents for registration for a period of 05 months from that date.

3.2 Fraudulently issuing motor vehicle registration certificates by changing the chassis and engine numbers registered under previous vehicle registration numbers and inserting the engine and chassis numbers of fraudulently imported vehicles.

- I. The chassis and engine numbers of 99 registered motorcycles for which revenue licenses have been issued for a long time had been changed and a new motor vehicle registration certificate had been issued for the said old registration number by fraudulently inserting the engine and

chassis numbers of other fraudulently imported motorcycles.

- II. Considering the engine capacity of 91 motorcycles for which registration certificates were issued by changing the chassis and engine numbers of motorcycles that were illegally imported by changing the chassis and engine numbers previously registered in the motor vehicle registration database, the government had lost customs duty revenue of Rs. 55,207,475 due to not importing them with a valid customs declaration.
- III. The opportunity to collect a surcharge of Rs. 21,285,000 and a new registration fee of Rs. 191,000 in respect of 91 vehicles was lost due to the issuance of registration certificates under old numbers without collecting the relevant surcharges as per the Cabinet decision mentioned in 3.1 above, which was used for the registration of motorcycles illegally imported into Sri Lanka but not registered.
- IV. Registration certificates were issued by changing the chassis and engine numbers of 31 vehicles registered with the Department of Motor Traffic to another vehicle class and inserting the engine and chassis numbers of fraudulently imported motorcycles.
- V. The chassis numbers and engine numbers of 29 vehicles registered under another vehicle class for which revenue licenses had been issued had been changed and the chassis numbers and engine numbers of other illegally imported vehicles had been included.
- VI. The chassis numbers and engine numbers of 11 pre-registered motor cars had been changed and the chassis numbers and engine numbers of other illegally imported or assembled cars had been inserted.
- VII. The government had lost Rs. 499,569,300 in revenue in the form of excise duty, luxury tax and other government levies payable on 14 vehicles, including 11 luxury jeeps, by changing the data of old vehicles in the system.

- VIII. Due to the fact that the data of 28 vehicles that were illegally imported into the country without paying customs duties or illegally assembled in the country were entered into the department's computer system and released for use in the country as legal vehicles, a revenue of approximately Rs. 553,789,127 was lost in terms of excise duty, luxury tax and other government levies for 17 vehicles alone.
- IX. Motor vehicle registration certificates were fraudulently issued in 2022 by changing the engine number and chassis number of 04 registered motorcycles with outstanding revenue license fees, which had not been issued for a long time, and inserting the engine numbers and chassis numbers of 04 other illegally imported motorcycles.
- X. A luxury tax revenue of Rs. 757,500 and a production tax revenue of Rs. 35,200,000, including fines, had been lost due to the fraudulent issuance of a motor vehicle registration certificate in 2019 by incorrectly altering the data of a CEYGRA type motor vehicle previously registered under registration number KE - 4103 and inserting the data of a MITSUBISHI PAJERO type motor vehicle.
- XI. According to the motor vehicle registration database, a CRYGRA type motor vehicle was registered under the number KE – 3846, but in 2018, the said data was changed and a motor vehicle registration certificate was issued by entering the data of a MINICOOPER type motor vehicle, resulting in a loss of excise duty revenue of Rs. 5,513,000 and a new registration fee of Rs. 44,050.
- XII. According to the Motor Vehicle Registration Information System, a CEYGRA petrol car was registered under registration number KE – 4521, but in 2018, a registration certificate was issued by changing the data to include the data of a TOYOTA diesel car, resulting in a loss of excise tax revenue of Rs. 49,920, 000.
- XIII. Due to the registration of vehicles imported for special purposes under the registration numbers for dual-purpose

vehicles, customs duty revenue of Rs. 27,472,988 was lost for 09 vehicles in the years 2018 and 2019.

3.3 Fraudulent issuance of motor vehicle registration certificates for unused blank numbers.

- I. A valid motor vehicle registration certificate was issued for 06 registration numbers that had not been previously registered, including the engine numbers and chassis numbers of the fraudulently imported or assembled vehicles, and matching the dates on which the latest registration numbers were registered. (According to the ERL database that issues revenue licenses, no revenue licenses had been issued in previous years.)
- II. A vehicle registration certificate was issued by the Hambantota Branch of the Department of Motor Traffic on 03 December 2021 for an illegally imported or assembled vehicle under the old vacant number of 253 - 3462 under which no vehicle was registered. (Details are as follows)
 - The aforementioned registration number had been falsely entered into the computer system with the original registration date as 17 August 2000 and the year of manufacture of the car as 1997.
 - Revenue licenses were obtained by paying a lump sum of Rs.195,865 in outstanding revenue license fees and fines from the fraudulently entered original registration date of 17 August 2000 to 31 December 2021.
 - Although the transferor of this vehicle was from the Western Province and the transferee was from the Northern Province, the registration and title transfer had been carried out by the Hambantota branch of the Motor Traffic Department, which is not applicable to either province.
 - Approximately Rs. 6, 000,000 in excise tax revenue Rs. 181,500 in luxury tax revenue and Rs. 23,800 in motor vehicle registration fee revenue had been lost due

to the fraudulent issuance of a motor vehicle registration certificate for this dual-purpose vehicle.

- Upon examination of the original registration files of motor vehicles from 253-3460 to 253-3465 it was found that registration certificates with concurrent serial numbers had been issued for registration numbers from 253-3460 to 253-3465 except for number 253-3462, and that number 253-3462 was not a number with a prior registration, and that the number of the registration certificate submitted for transfer did not match the numbers of the registration certificates in that group, and that the signature and rubber seal of the Commissioner of the said registration certificate were forged, leading to a false preparation of a motor vehicle registration certificate for transfer.
- The Commissioner General of the Department of Registration of Persons had confirmed to the Audit Office that the person named as the owner and transferor of the motor vehicle registration certificate submitted for the above transfer, along with a copy of the identity document, is not the same person and that the National Identity Card submitted is a fake identity card.
- The Provincial Motor Vehicles Commissioner had confirmed to the Audit that the revenue license submitted for the transfer was not a legally valid revenue license issued by the Provincial Motor Traffic Department.
- The vehicle with registration number GC-9661, one of the 6 vehicles mentioned in Observation No. I, was also transferred from the transferor mentioned in the above 253-3462 to the transferee mentioned therein.

3.4 Registration of other vehicles for cancelled foreign diplomatic vehicle numbers.

- I. A jeep bearing registration number KA - 0256, which was imported duty-free to the International Red Cross, had its

registration cancelled due to re-export to the State of Dubai in 2011. However, using the cancelled number, a motor vehicle had been registered to a person in the Ja-Ela area by entering the chassis number and engine number of another vehicle.

- II. In cases where the vehicles were registered for foreign diplomats and non-governmental organizations and then re-exported, the chassis numbers and engine numbers of other luxury vehicles were incorrectly entered and registered for 06 vehicles whose registrations were cancelled, resulting in a loss of tax revenue of Rs. 122,282,900, excluding luxury tax and other charges, by Sri Lanka Customs.

3.5 Vehicles were registered leaving some numbers blank instead of issuing them in sequential order.

- I. Instead of issuing vehicle registration numbers in sequence, vehicles were registered leaving some numbers blank, and then 05 new vehicles were registered by incorrectly entering data into the computer system under the blank numbers allocated to those numbers. As a result, the government had lost approximately Rs. 4,643,800 in luxury tax, production tax and other government levies.
- II. Although vehicle registration numbers should be issued sequentially, steps had been taken to leave certain numbers blank and then vehicles were registered incorrectly using those blank numbers, but no steps had been taken to block those blank numbers and the vehicle registration numbers cancelled or deactivated by the Department of Motor Traffic through the computerized information system so that they could not be used again.

3.6 Registering illegally imported vehicles under the guise of changing of some parts of a motor vehicle.

- I. Although it is not possible to maintain the pre-registration of a registered motor vehicle by changing the chassis number of a registered motor vehicle under Section 203 of the Motor Vehicles Act, the Department of Motor Vehicles had allowed the change of the chassis number of 237

vehicles registered in 2022 and 2023 and 301 vehicles registered in 2024 without any formal valid reason and allowed the change of the chassis number of the vehicles. The said vehicles whose chassis numbers were changed had obtained revenue licenses under the previous chassis number for many years, the legal ownership of the said vehicles had been transferred on more than 5 occasions, and other data had been entered instead of the data contained in the weight certificate obtained from the motor vehicle inspectors for some vehicles, making the legality of the said data amendments controversial.

- II. Although, according to the Motor Vehicles Act, when modifying a motor vehicle, other components other than the chassis can be changed, in 2022, in 27 cases where a petrol vehicle was converted into a diesel vehicle, illegally imported vehicles were registered, under the pretext of modifying a motor vehicle.
- III. Although the old vehicle registration number must be removed from the database when converting a patrol car to a diesel car, in 130 cases the registration numbers of the converted cars had not been removed from the database.
- IV. Three previously registered vehicles with both the engine number and chassis number as the same number in the computer system were altered and three other illegal vehicles were registered by changing the chassis numbers.

3.7 Failure to conduct a formal investigation and take the necessary legal action regarding the preparation of forged documents.

- I. A joint investigation was not conducted with the Custom , illegal registration was not cancelled, the due customs duties were not recovered, and legal and disciplinary action was not taken against the officers are involved, regarding 02 luxury cars and 04 motorcycles that were registered and attempted to be registered using the Cusdec No. CBHQ I 49824, which was fraudulently prepared in relation to a container that had not yet been cleared by the Customs Department.

- II. The motor vehicle bearing registration number CAW - 1727 had been sold by its registered owner to a resident of Nugegoda, Kohuwala on April 21, 2022. While the person who purchased the vehicle was keeping the vehicle at a vehicle dealership in Kohuwala for resale, a woman resident of Malabe Road, Pannipitiya had illegally obtained a second copy of the registration certificate for the vehicle and had subsequently converted the second copy of the vehicle registration certificate into an original copy and obtained financial facilities from a leasing company with forged documents, but no formal investigation had been conducted regarding the preparation of the forged documents and the necessary legal action had been taken.
- III. Although a forged document bearing the official seal of the Commissioner of Motor Vehicles Investigation had been prepared and submitted to the Kurunegala Provincial Motor Vehicles Department on or around July 07, 2023 to obtain a revenue license for the vehicle bearing registration number 32 - 4488 for a time period of 20 years, no formal investigation had been conducted and legal action had been taken regarding the forged document.
- IV. The motorcycle bearing registration number BDA-7847 had been transferred to two other individuals using stolen documents without the knowledge of the owner, and no formal investigation had been conducted into these transfer.

3.8 Vehicles disposal after using by the tri forces without prior registration have been registered in the Department of Motor Traffic.

- I. 63 vehicles sold to civilians through a tender process using the tri-forces without prior registration were registered under number group 325 and handed over to the relevant civilians without basic documents, in violation of Section 203 of the Motor Vehicles Act.
- II. According to the files of the Department of Motor Traffic, 40 Tri-Forces vehicles were registered under category 325, which did not match the tender details sent by the Tri-Forces

and which the Commissioner of Motor Traffic was not informed of through the tender details.

- III. 8 vehicles mentioned in the tender documents submitted under the signature of a responsible officer of the Tri-Forces had been registered with the Department of Motor Traffic and transferred to civilian persons on the dates prior to the relevant tender dates.
- IV. The tri-forces had registered 29 vehicles by entering false data into the Department of Motor Traffic's data system, to indicate that the original registration of the vehicles had taken place on dates prior to the dates on which the vehicles were tendered.
- V. Several other vehicles were registered with the same chassis number for 04 chassis numbers that had been tendered by the tri-forces and exchanged with civilians.
- VI. The legal and practical structures required to cancel the registration of vehicles removed when a registered vehicle is scrapped by government agencies, NGOs, the armed forces or financial institutions had not been developed.

3.9 Recovery of lease money from the Werahera Restaurant and other institutions that had been given on lease basis.

- I. Pursuant to a decision of the Procurement Committee, the Werahera Restaurant was leased for a monthly rent of Rs. 391,000 for the year 2019-2020 and the lessee had operated the restaurant until March 31, 2021. While the outstanding rent of Rs. 2, 964, 400 was to be recovered from the lessee, steps had been taken to release the performance guarantee of Rs. 1,173,000 to him.
- II. The said restaurant was again leased to another person from 2021 to 2023 at a monthly rent of Rs. 261, 000 and the lessee was given the opportunity to remove the property in the restaurant without recovering the arrears of Rs. 1,133, 000 due from the lessee.
- III. Although arrears of Rs. 2,507,600 should have been received from institutions other than the canteens established at the

head office and Werahera premises during the last 5 years, no steps had been taken to recover that income or to account for it as arrears of income.

3.10 Filing objections and recording in the black list of vehicles.

- I. 115 vehicles and chassis numbers were blacklisted in the year 2020 without formal written approval and 81 vehicles and chassis numbers that were blacklisted were removed from the register.
- II. Although the Department's Technical Division had recommended the cancellation of the registration of 600 vehicles between December 2015 and May 2019, no action had been taken to cancel them, and during that period, the registration of 223 vehicles had cancelled that had not been recommended by the Technical Division .

3.11 Issuing of Motor vehicle registration certificates without complying to the Motor Vehicles Act (Chapter 203)

- I. By violating Supplementary Provisions No. 231 contained in Part XII of the Motor Vehicle Act (Chap. 203) 264 cases in 2023 and 860 cases in 2024, the original copy of the motor vehicle registration certificate was issued in place of the second copy of the motor vehicle registration certificate issued in previous years after a period of 5 to 25 years after the second copy of the motor vehicle registration certificate was issued.
- II. During the inspection conducted by the Auditor General in relation to 06 vehicles for which original copies were issued in lieu of the second copy of the vehicle registration certificate, 03 affidavits submitted for obtaining copies of the said registration certificates were in the same handwriting and in the same format, and the other 03 affidavits were submitted in a similar format.

3.12 Providing CMT chassis numbers

In 2016, a committee had decided to issue a CMT chassis number by printing the three letters CMT and a serial number near the

chassis number and the state emblem on both sides of it, if the vehicles released by Sri Lanka Customs after collecting customs fees as fines do not have the necessary documents for registration. The following points were observed regarding the issuance of CMT chassis numbers.

- Although it has been decided to issue CMT chassis numbers only if the above documents are not available, CMT chassis numbers were issued on 80 occasions from 2016 to 2019 in a manner inconsistent with this, and 1761 CMT chassis numbers had been issued by February 2025. Accordingly, it was observed that vehicles had been fraudulently registered under CMT numbers.
- Between 2015 and 2019, 06 vehicles that had been sent to the government factory to have CMT chassis numbers printed had been registered as regular vehicles.
- Although the existing chassis number should be cancelled after the new chassis number is issued, there were 03 cases where vehicles were registered with both the old and new chassis numbers, and 02 motor cycles were registered under the same chassis number.
- A Mitsubishi Pajaro vehicle, which the High Court ordered to be confiscated and sold for spare parts in 2016, had been registered with a CMT chassis number.

3.13 Printing of Driving Licences

The contract for the supply of driving licenses at Rs. 1,340 per unit had expired on 26 March 2016, but without taking steps to select a new supplier through a formal procurement process, the contract had been extended to the same supplier on 05 occasions at the same prices until June 30, 2020. However, for a period of 06 months from 01 June 2020, the supplier had agreed to reduce the price of one driving license by Rs. 340 to Rs. 1,000. When considered the reducing amount of Rs. 340, it was observed that, the cost of Rs. 1,340 charged for one driving license since 2009, was accompanied by a high profit margin, despite the inflationary situation in the country and the continuous depreciation of the Sri Lankan rupee. Accordingly, due to the failure of the

Ministry/Department management to take efficient decisions for the good use of public funds, it was observed that the amount of public funds that flowed uneconomically to a private company for 3,075,625 driving licenses printed over a period of 51 months from March 2016 to June 2020 was approximately Rs. 1,045,712,500.

3.14 As a result of Printing provincial characters on vehicle number plates, new number plates have to be printed repeatedly when ownership of a vehicle is transferred between provinces.

- I. Due to the printing of provincial characters on vehicle number plates, new number plates have to be purchased when the ownership of a vehicle is transferred between provinces. No utility was observed to be obtained by printing these characters for any party other than the profit earned by the printer. In the last 03 years alone, an amount of Rs. 778,448,278 had been paid to the printer for the number plates of 376,233 vehicles transferred between provinces in this way.
- II. Since the sticker with the radio frequency identification code introduced for the identification of vehicles is not being used in practice, no benefit is observed for any party other than the profit made by the private company printing them, and the amount of Rs. 153,059,534 paid to the private company for 302,192 stickers issued from December 2019 to August 2020 has been uneconomical.

3.15 Irregularities in the issuance of driving licenses at the Matara branch of the Department of Motor Traffic.

- I. 18 candidates who were not listed for the written tests required to be passed for the issuance of driving licenses and a candidate who was recorded as absent on the written test date due to not participating in the test, had false results entered stating that he had passed the written test and a candidate who did not obtain any marks in the written test had false results entered stating that he had passed the

examination and updated the documents and issued valid driving licenses.

- II. Action had been taken to issue valid driving licenses to 10 applicants who were not listed for the practical tests that were required to be passed for the issuance of driving licenses, one applicant who was recorded as not appearing in the results register due to not appearing for the practical tests, one applicant whose practical test record contained information that he had failed the relevant tests, and five applicants for whom no note was included in the practical test records, by entering false data stating that they had passed the practical tests.
- III. An applicant who did not appear for the written test required for the issuance of driving licenses but entered unused examination numbers and a false result on the day the written test was conducted had been given the opportunity to obtain a valid driving license, and even though he did not appear for both the written test and the practical test, he had entered false information to claim that he had passed the said tests and had issued driving licenses.

3.16 Purchasing L Boards

According to Section 203 of the Motor Vehicles Act, it is prohibited by law for a trainee to drive a motor vehicle alone without a driving instructor approved by the Department of Motor Traffic. In such a context, even if an L plate is provided for driving training to applicants who have passed the written examination for obtaining a driving license, the relevant applicants are not allowed to practice driving the motor vehicle using those L plates. However, arrangements were made to provide and provide an L plate to all applicants who have passed the written examination and to use government funds of Rs. 162,495,000 for the purchase of L plates for that purpose.

- I. Considering that the number of new driving licenses issued in a year according to the Department's driving license issuance database is approximately 400,000 this procurement was used to purchase of 1,800,000 L plates, which is an unmanageable amount to be issued in

approximately 3 years. Resulting this, Government funds were unnecessarily utilized for a non-essential purpose.

3.17 Vehicular Emission Test Trust Fund

- I. The Vehicular Emission Test Trust Fund established by a Trust Deed to implement the Emissions Testing Program. Although the Emissions Testing Trust Fund was supposed to be liquidated, the liabilities settled and closed in 2018 in accordance with paragraphs 03 and 04 of the State Finance Circular No. 2018/02 issued pursuant to Cabinet Paper No. - 002/702/1615/17xvii and the decision of the Cabinet meeting held on August 09, 2017, the Board of Trustees of the Fund had taken steps to maintain the Fund by obtaining the approval of the budget documents of the Fund from the Line Minister without the approval of the Cabinet of Ministers, the Ministry of Finance and the Treasury.
- II. No. 2020/01 and Public Finance Circular (i) dated 28th August 2020 and F. R. 876 (2) (a) If it appears that the operation of existing funds is a national necessity and if such funds have not been duly approved by an Act of Parliament, the approval of Parliament should be obtained for such funds within one year of the issuance of this circular, but such approval had not been obtained.

3.18 Other matters to be brought to the attention of the Committee.

- I. Vehicle registration original documents and transfer documents were stored in 18 container boxes at the Werahera office and due to failure to protect the containers from rain, the documents stored in the containers were destroyed.
- II. Among the users who were allowed to enter computer data, those who had transferred from the department to other offices, those who had retired, and those who were working in the department but were not being used according to their duty assignments had the opportunity to actively use passwords.

- III. The Commissioners, who are the executive officers of the Department of Motor Traffic, have been given the opportunity to change and delete any information in the data system, including the chassis number of a pre-registered vehicle, using a password provided. The opportunity had been provided to completely erase any past data that was changed in this way from the system so that it could not be retrieved.
- IV. The amount of Rs. 2, 420, 000 paid to Informatics International (Ltd) had become a uneconomical expense due to the system development project related to the information exchange system aimed at providing information on vehicles registered at the Department of Motor Traffic to the Department of Inland Revenue having been inactive since 2018.
- V. A formal investigation had not been conducted against an Assistant Commissioner of the Hambantota District Office regarding the issuance of driving licenses after passing 52 written tests and 09 practical tests by using incorrect passwords.
- VI. Although the approval of the Ministry Procurement Committee should be obtained for procurements exceeding Rs. 10 million under the shopping method as per 2.14.1 of the Procurement Guidelines, the procurement of printing of envelopes with windows for mailing registered certificates worth more than Rs. 12 million was carried out by the Departmental Procurement Committee without referring it to the Ministry Procurement Committee.

4. Current performance

4.1 Obtaining maintenance and services for the SRITIS computer software used for printing driving licenses

The SRITIS computer software, which was purchased under the Build, Operate and Transfer (BOT) concept, was handed over to the Department of Motor Traffic along with its source codes in 2020. The files related to the manner in which maintenance services were obtained for this software in the years 2021 and

2022 were not submitted to the audit and the system was maintained and services were obtained from Metropolitan Company for the years 2023 and 2024 without proper tendering procedure at a cost of Rs. 154,100,000 and Rs. 181,973,700 respectively. Considering that this data system is a very simple data system compared to the data system for vehicle registration and transfer of the Department of Motor Traffic and the maintenance and service cost of the vehicle registration data system is Rs. 10,000,000, it was observed that a very unusual cost has been incurred for the maintenance and services of the driving license issuance data system. The driving license software was produced by a company called Face Technologies, and Metropolitan Company acted as its local representative during the software's development, but in 2022, Softlogic was appointed as the company's local representative. However, there was no documentation of the reasons for providing maintenance and services of the software at a very high cost to a company that had no connection with the creators of the software without a tender process.

4.2 Contracting for the service and maintenance of printers used to print driving licenses

A service agreement had been entered into with a private company for the service and maintenance of 2 printers purchased in 2017, which are used for printing driving licenses, for Rs. 14,700,000 without any procurement process. This service agreement, which was spent on public funds without considering the concept of value for money, had become controversial as the market price of such a new printer was between Rs. 15 and 20 million and the market value of these 2 printers could be less than the maintenance cost.

4.3 Outsourcing of driver's license printing to a private company

In accordance with the Cabinet memorandum No. MT/ 46/ 2023 dated June 12, 2023, and the decision of the Cabinet of Ministers for the said memorandum, bearing No. CP/23/1098/608/041-11/TBR dated July 04, 2023, an agreement was entered into with the Metropolitan Company for a period of one year from

September 15, 2023. The observations regarding the implementation of the said process and agreement are as follows.

- I. For the printing of driving licenses, purchases were made from only one private company without a procurement process, and only one price was forwarded to the Cabinet.
- II. A virtual cost-benefit analysis had been conducted for the printing of driving licenses with irrelevant costs and the officers nominated in accordance with the Cabinet decision had not been included in the cost-benefit committee.
- III. The committee appointed for price analysis had not properly fulfilled its assigned duty by recommending a cost of Rs. 576 per card and printing costs without any consideration, even though the cost of a driving license card ordered by the Sri Lanka Army in 2022 was Rs. 311.
- IV. As per the above observation, due to the recommendation to act in a manner that would result in a loss to the government of Rs. 265 per card, the government had incurred a loss due to the overpayment of Rs. 134,568, 855 for 507,807 cards supplied and printed by the Metropolitan itself between the date of the agreement and July 2024.

4.4 Printing of driving licenses under one-day service

- I. The Werahera office has accepted applications for printing 200 driving licenses per day under one-day service and has provided the opportunity to print driving licenses. Accordingly, persons who have a need to obtain cards related to driving licenses have been provided with the opportunity to obtain that facility through one-day service. However, in addition to those 200 driving licenses, the Werahera management has taken steps to print approximately 300 to 400 driving license cards per day for persons who have previously applied and obtained driving licenses through the normal method by paying a one-day service fee. Considering the fact that the relevant persons had not obtained tokens to obtain these cards, that information was not recorded that persons had come to obtain the printed cards, and that information had not been communicated to the public that those who had

obtained driving licenses through the normal process could come to the Werahera premises and obtain driving license cards through the one-day service, the public representation that the 61,177 cards issued during the last 9 months were sold for Rs. 5,000 and out of that Rs. 1,000 was given to the Werahera staff could not be ruled out during the audit.

- II. The Commissioner (Driving Licenses) and Deputy Commissioners had ordered the Printing Division to print between 200 and 250 driving licenses obtained through the normal method per day, without paying the daily fee, as an urgent need. 21,890 driving licenses were printed in this way from December 2023 to August 2024. The reasons for granting the said approval were not documented and a formal procedure had not been introduced for the same. Therefore, the possibility of the irregularities mentioned in the above observation occurring under this procedure could not be ruled out during the audit.
- III. Considering the above observations, approximately 400 to 500 driving license cards per day were allowed to be printed informally in the last 9 months outside the normal system, but since the audit did not confirm that such a large number of drivers came to the Werahera office to obtain driving licenses through these 2 methods per day, the possibility of large-scale irregularities was created through this process.

4.5 Purchase of driver's license cards.

- I. In accordance with 3.1.1 (a) of the National Procurement Guidelines, the International Competitive Bidding (ICB) method should be used when the capacity of local contractors, suppliers and service providers is limited and it is clear that international competitive bidding is advantageous. However, when the capacity of local suppliers to manufacture and supply 100% polycarbonate cards with security feathers, quality certificates and QR codes related to the subject procurement was limited, the National Competitive Bidding method was used without using the International Competitive Bidding method.

- II. Average monthly issuance of driving licenses by the Department of Motor Traffic is estimated at 90,000 units. Accordingly, the annual requirement for issuing driving licenses is 1,080,000 cards, but procurement had been made to purchase only 400,000 cards, which is not enough for at least 06 months.
- III. According to the conditions contained in the bidding documents, the contents of the cards should be tested in an independent laboratory and the procurement order should be purchased from the supplier based on the test results. However, the Department of Motor Traffic had taken steps to purchase the procurement order without such independent laboratory testing.
- IV. The security features of the card proposed to be purchased through the procurement process had been decided without the main security features and printed features of the driving license card purchased and printed by the Sri Lanka Army on an earlier occasion.

4.6 Implementation of the system of collecting fines for violations of traffic laws that are not brought to court and the driver demerit points system.

- I. Steps had not been taken to properly identify the project by preparing a Bill of Quantities (BOQ) that included the areas covered by the said project, the rough plan including the coverage, the items and quantities included in the complete project including the software, hardware, other equipment to be included according to the plan, as well as the expected total cost of the project.
- II. The estimated cost of the project was a single-sheet estimate, and the document, which contained an estimated cost of Rs. 685.6 million, was prepared as a mere numerical chart, without the technical data that led to the documentation of those values, consisting of Lum Sum values without the signature of any responsible official.
- III. 650 desktop computers, web logins for data monitoring and cross-checking, and internet facilities have been essential

elements for the implementation of this project, but the bid documents for the project were prepared without including these devices.

- IV. Before obtaining approval for the project, the Commissioner General of Motor Traffic had informed the Metropolitan Institute, a partner in the joint venture that had been selected as the successful bidder for this project, to submit a technical solution for the project. Accordingly, the said institute had submitted a project report for this project on April 03, 2023 and due to this action, the transparency of the implementation of the project had been challenged.
- V. The Sri Lanka Police has informed that 5000 devices (End User mobile Devices) that can be connected to the system that can charge police officers for the implementation of the project are required, but the number of such devices has been identified as 2500 in the initial cost estimate. However, the nature of the basic equipment of the project and the item with the highest cost in the project, the quality characteristics that should be required and the number of devices that should be included in the project were not included in the bid documents.
- VI. During the project design, the total cost of the project was estimated at Rs. 685.6 million, including the cost of implementing the project of Rs. 240 million. However, it was observed that due to the payment of Rs. 254 per transaction to the selected supplier and the provision of a guarantee of 1.5 million transactions per year, the project would have to pay a huge amount of Rs. 1905 million (Rs. 254 x 1,500,000 x 5) for the expected 05 year year contract period.
- VII. The lowest bid value of the three bidders who scored more than 70 points in the technical bid evaluation was Rs. 254.70 per transaction and the financial bid value of the bidder selected as the successful bidder by the sum of the technical score and financial score was Rs. 289.15. Later, the Procurement Committee appointed by the Cabinet decided to reduce the bid value to Rs. 254 after discussing with the successful bidder. It is observed that the transparency of the

bid award has been challenged due to not giving the opportunity to revise the financial bid values to all the bidders who passed the technical evaluation.

4.7 Issuance of International Driving Permits.

- I. Before issuing an International Driving Permit, it is stated that every person applying for an International Driving Permit shall be examined by an authorized officer appointed by the Commissioner General for the purpose, but International Driving Permits were issued to applications submitted by the Automobile Association of Sri Lanka without the applicant being examined to see whether the physical organs of the applicants essential for the job of driving are functioning properly (e.g. whether the hands, legs, eyes are functioning properly).
- II. As per the orders issued by the Extraordinary Gazette of the Democratic Socialist Republic of Sri Lanka No. 2301/17 and 2022/10/10, Section 203 of the Motor Vehicles Act, the normal service fee for issuing an International Driving Permit is Rs. 3,000 and the one-day service fee is Rs. 3,500 and the said fees are to be collected by the Department of Motor Traffic. However, contrary to the said orders, the Automobile Association of Sri Lanka has collected an amount of Rs. 10,394 for one International Driving Permit and accordingly, it was observed that an illegal fee of Rs. 7,394 has been collected for one Driving Permit. According to the information submitted to the audit, in the years 2023 and 2024. It was observed that an amount of 527,305,864 had been illegally recovered.
- III. According to Section 132 (b) of the Motor Vehicles Act, a valid International Driving Permit issued by a Contracting State to the Vienna Convention shall be deemed to be a driving permit issued under the provisions of the Act. A person holding an International Driving Permit can drive motor vehicles of the class of license in Sri Lanka without any hindrance as per the Motor Vehicles Act. However, the Automobile Association of Sri Lanka had taken steps to issue an illegal driving permit called Recognition Permit by

charging Rs.8,466 from the visitors holding International Driving Permits coming to Sri Lanka without any legal basis or authority.

4.8 Revision of the contract price for the supply of number plates with vehicle identification numbers.

- I. The Procurement Guidelines do not provide for a revision of the contracted prices due to a change in the Sri Lankan Rupees to Dollar exchange rate for an on-going contract where bids have been invited and contract agreements have been signed through the International Competitive Bidding (ICB) method. Accordingly, it was observed that this revision of prices is contrary to the provisions of the Procurement Guidelines.
- II. It was observed that the Hon. Minister of Transport had forwarded a Cabinet Paper dated August 02, 2022 to the Cabinet and obtained Cabinet approval vide No.AMAP/22/1104/608/010 dated August 31, 2023, requesting the Cabinet to appoint a Cabinet-appointed Price Negotiation Committee (CANC) to justify a price revision in this agreement, without considering the principle of the change in the value of the rupee paid to the dollar for other such contracts signed and maintained by the Government of Sri Lanka and government-affiliated institutions.
- III. A five-member project committee has been appointed and the report of the said committee was submitted to the Cabinet Appointed Price Negotiation Committee (CANC) on November 22, 2022. The committee report was prepared taking into account only the change in the exchange rate without evaluating any other factors that determine the price of the supply. It was observed that the project committee has not properly discharged its responsibility as it has decided that it is appropriate to provide a price revision that is agreed upon with the supplier, without calculating the impact of the change in the exchange rate on the price of the supply item.
- IV. The Attorney General had inquired from the Commissioner of Motor Traffic, by letter No.DMT/11/DE/02 dated February 09, 2023, whether there were legal provisions in the

agreement to provide for a price revision in accordance with the terms of the agreement No. 30 as per the decision of the Cabinet of Ministers, and the Attorney General had pointed out that “the matters contained in the press release issued by the Central Bank without mentioning any legal provisions do not fall within the scope of Article 30 of the agreement.” However, without taking into account the opinion of the Attorney General and without the approval of the Cabinet of Ministers, the clauses mentioned in the contract agreement required for a price revision were amended and Article 14 of the agreement entered into with the contractor was amended to provide for a price increase of 62.5%.

- V. It has been one and a half years since the Secretary to the Ministry of Transport was directed by Cabinet Decision No. 22/1104/608/010 dated 22 August 2023 to investigate the possibility of identifying a supplier who would offer the most economically advantageous prices to the government by following the competitive procurement method instead of relying on a single supplier for the procurement of vehicle number plates. Although more than eight months have passed since the procurement process began, a suitable supplier has not been selected.

Annex III

Issues, observations, recommendations/orders identified during the investigation conducted on 10th March 2025

<p align="center">Department of Motor Traffic</p> <p align="center"><i>(Investigation into the Auditor General's Audit Reports for the years 2020, 2021, 2022, and 2023 and review of current operational performance)</i></p> <p align="center">Date of Investigation – 10th March 2025</p>		
<p>Institutions Summoned –</p> <ul style="list-style-type: none"> ❖ Ministry of Transport, Highways, Ports, and Civil Aviation ❖ Department of Motor Traffic. 		
<p>Main Points Discussed</p>		<ul style="list-style-type: none"> • Clarifications by the Chief Accounting Officer (CAO)/ Accounting Officer (AO), • Observations/recommendations/orders of the Committee
01.	<p>In accordance with a preliminary recommendation issued by the Committee on Public Accounts in the year 2019, a detailed report is to be submitted to the Committee separately regarding the findings submitted by the Auditor General on 25 incidents related to unlawful vehicle registrations that occurred prior to integration with the Customs computerized system, the investigations conducted in that regard, and the current</p>	<p>Regarding this matter the Chief Accounting Officer informed the committee that:</p> <ul style="list-style-type: none"> • the relevant reports were submitted to the Secretary of the Committee on Public Accounts and the Auditor General on 2019.11.04 and 2020.12.17; • due to the extensive volume of files utilized within the institution and the significant challenges related to file maintenance and management, specific information relating to disciplinary actions could not be located within the Department's records; and • this incident occurred prior to the appointment of the current Accounting Officer to the Department; <p>There, the Committee on Public Accounts drew attention to the fact that, despite more than six (06) years having passed since this audit query was referred to the Department, the institution had failed to submit a credible report regarding disciplinary actions taken to</p>

	status including disciplinary action taken against the responsible officers.	<p>either the Committee or the Auditor General. Therefore, the Committee recommends the Chief Accounting Officer of the Ministry of Transport, Highways, Ports, and Civil Aviation and the Accounting Officer of the Department of Motor Traffic to:</p> <ul style="list-style-type: none"> • submit a detailed report including disciplinary actions taken against the officers responsible for this matter, at the next meeting of the Committee; • be In proper preparation when appearing before the next Committee meeting with all the related files be reviewed in advance, and • summon the Former Commissioner Generals who served during the relevant time period, to the next Committee meeting. <p>The Auditor General informed the Committee that although the report MT/04/12/02/01-2023 dated 2025.03.19 submitted by the Chief Accounting Officer of the Ministry of Transport, Highways, Ports, and Civil Aviation included information on actions taken thus far regarding the above 25 issues, the report was incomplete and therefore not acceptable.</p>
02.	Issues in the maintenance and management of files at the Department of Motor Traffic	<p>When inquiring into the long-standing weaknesses in file maintenance and management within the Department over the past twenty years and the delay in implementing the proposed e-Motoring system intended to address these issues, the Accounting Officer of the Department of Motor Traffic informed the committee that:</p> <ul style="list-style-type: none"> • the e-Motoring system was originally planned for implementation in 2018 • delays were caused due to the unavailability of a 10,000 square foot space required for the service provider to operate and

		<ul style="list-style-type: none"> although a location was eventually identified, disagreements have since arisen regarding revised pricing, and therefore, Cabinet approval must now be obtained for the increased costs. <p>Accordingly, the Committee recommended to the Chief Accounting Officer of the Ministry of Transport, Highways, Ports, and Civil Aviation and the Accounting Officer of the Department of Motor Traffic that the electronic file maintenance system be implemented in the Department of Motor Traffic without further delay.</p> <p>Although the project agreement has remained valid up to this point as per to the Report No. MT/04/12/02/01-2023 dated 2025.03.19 issued by the Ministry of Transport, Highways, Ports, and Civil Aviation, it has been informed to the Committee that a decision has not yet been made regarding the implementation of the project, and therefore, a specific date for the commencement of the system's operation has not been determined.</p>
03.	<p>Actions taken by the Department regarding the findings in the Special Audit Report submitted by the Auditor General on 2023.09.12, and the current status including disciplinary actions against responsible officers for the facts mentioned in the report</p>	<p>The Accounting Officer of the Department of Motor Traffic and the current Chairperson of the Investigation Committee informed the committee that;</p> <ul style="list-style-type: none"> an internal investigation committee was appointed within the Department in 2023 to carry out further investigations; the members of this committee were subsequently transferred and a new committee was appointed in August 2024; based on the recommendations of the investigation committee, the 281 vehicles referred to in the audit report have been black listed and their revenue licenses suspended; the discrepancies in the audit report are believed to have arisen due to mismatches between data in the provincial councils'

		<p>systems and the Department's systems, and comparisons with data from Provincial Motor Traffic Commissioners are currently underway to uncover such discrepancies;</p> <ul style="list-style-type: none"> • in cases where such discrepancies are found, efforts are made to retrieve the original files and conduct physical verifications; and • no statements have not been recorded from any responsible officers <p>The Committee emphasized that;</p> <ul style="list-style-type: none"> • The special audit report clearly identifies irregularities relating to 281 vehicles, the claim that these were solely due to data entry errors cannot be accepted as accurate and although the audit report clearly indicated the login credentials of the responsible officers who entered the data, the Department has thus far failed to obtain statements from any such officers, and any attempt to re-evaluate the audit findings without doing so would constitute a waste of time and therefore the Committee informed the Accounting Officer of the Department of Motor Traffic that; • a report outlining all facts uncovered to date, along with any disciplinary actions taken against responsible parties based on those findings, be submitted at the next Committee meeting; • the officers who previously served on the initial investigation committee, who are accountable for delays in the investigation, also be summoned to the next Committee meeting; and • any other officers currently serving in the Department who may have knowledge relating to the inquiry be summoned to the next committee.
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Annex IV**Issues Identified at the Examination Conducted on 21st March 2025 and Observations and Recommendations / Directions Given**

Department of Motor Traffic <i>(Examination on the Reports of the Auditor General for the years 2020, 2021, 2022 and 2023 and on the Present Performance)</i> Date of Examination – 21st March 2025		
Institutions Summoned - ❖ Ministry of Transport, Highways, Ports and Civil Aviation ❖ Department of Motor Traffic		
Major matters discussed		▪ Explanations by the Chief Accounting Officer/ Accounting Officer ▪ Observations/ Recommendations / Directions of the Committee
01.	The Department of Motor Traffic had not acted positively so far with regard to the recommendations given by the Committee after examination on 23.10.2019 regarding the issues contained in the 25 recommendations of the Auditor General given previously including the matter under the heading “Registering 158 vehicles imported on permits given to places of religious worship by altering either the name of the licence holders or conditions of transfer pertaining to each permit and altering the year of	<p>The present Accounting Officer of the Department of Motor Traffic informed the Committee that that both accused officers had been acquitted at the two formal disciplinary inquiries conducted by the Public Service Commission and the Department in 2014 due to absence of necessary files and information. He also said the difficulty in finding the files and lack of information pertaining to the period has been the main obstacle to the inquiries.</p> <p>The former Accounting Officer, who had been in office from March 2020 to August 2022 informed the Committee that during his tenure of office, 118 files necessary for unveiling information regarding these 25 matters were found from the 12 containers in which they had been deposited, that two complaints were lodged with the Computer Forensics Division of the Financial Crimes Investigation Division (FCID) and the Criminal Investigation Department for</p>

	<p>manufacture in registering 120 vehicles”, regarding which audit queries had been posed in 2014 to which no replies had been received.</p>	<p>further investigation on the findings, and that a dual password system was introduced for further protection of the system after identifying the weaknesses existing in the database of the Department.</p> <p>The Committee stressed that the Committee has been misled by not informing the Committee about the constructive measures taken by a former Commissioner General of the Department, having not continued with the measures concerned, and by presenting the facts about a disciplinary inquiry conducted in 2014. The Committee stated that they cannot be satisfied with the inquiries conducted so far by the Department of Motor Traffic as no disciplinary inquiries were taken for a long time citing unavailability of files and information and as fraudulent officers have been acquitted at the disciplinary inquiries and directed:</p> <ul style="list-style-type: none"> • that an independent committee of inquiry be appointed comprising three or five members including retired judges, retired officers of the Auditor General’s Department at Deputy Auditor General level and/or retired public servants; and • That necessary disciplinary action be taken according to the preliminary recommendations of the Committee of Inquiry referred to above and charge sheets be served against the accused officers. <p>The Committee also directed the Chief Accounting Officer of the Ministry of Transport, Highways, Ports and Civil Aviation and the Accounting Officer of the Department of Motor Traffic to obtain a report on the investigation pertaining to the 118 files presented to the Criminal Investigation Department by the then Accounting Officer following the Departmental investigation conducted in</p>
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		2020 in this regard and report to the Committee on the progress of that investigation.
02.	Progress of the disciplinary measures taken by the Department against officer responsible for matters contained in the Special Audit Report of the Auditor General dated 12.09.2023.	<p>The Committee observed that an effective examination had not been conducted by the committee of inquiry appointed to inquire into the contents of the Special Audit Report and no statement has been recorded from any officer so far and directed —</p> <ul style="list-style-type: none"> • the Accounting Officer of the Department of Motor Traffic to assign the inquiries to the special committee of inquiry to comprising and independent officers referred to above; and • the Chief Accounting Officer at the Ministry of Transport, Highways, Ports and Civil Aviation to conduct an inquiry regarding the non-performance of the function by the persons appointed in two instances to the committee appointed by the Department according to the provisions of the Establishments Code and report to the Committee within three weeks.
03.	The irregularities that have occurred by importing motorbikes without a lawful customs process based on the Cabinet Decision No. CP/16/1307/709/061 dated 7 th September 2016 and registering them only subject to a surcharge.	<p>The Committee observed that 298 motorbikes had been registered violating the Cabinet Decision by officers of the Department of Motor Traffic by charging a surcharge, that 3088 motorbikes had been registered even after the expiry of the specified period, and 15 officers suspected of committing this misact have been identified through Departmental inquiries. Therefore the Committee :</p> <ul style="list-style-type: none"> • The Accounting Officer to conduct an independent inquiry without linking it to other inquiries as 15 officers have been identified already and give a report to the Committee within one month.

04.	Review of the facts contained in the Reports of the Auditor General for the years 2020, 2021, 2022 and 2023 and present progress	<p>The Committee considered the 18 and 8 respectively the matters contained in the Reports of the Auditor General issued in respect of the Department for the years 2020, 2021, 2022 and 2023 and concluded that many acts of financial fraud and corruption have been committed according to most fact contained therein and directed :</p> <ul style="list-style-type: none"> • the Chief Accounting Officer of the Ministry of Transport, Highways, Ports and Civil Aviation and the Accounting Officer of the Department of Motor Traffic to appoint appropriate disciplinary committees as the Department should compulsorily take disciplinary measures against the officers responsible for these acts of fraud and corruption, and report the progress of the disciplinary measures on a monthly basis to the Committee. • the Secretary to the Committee to summon the Department before the Committee every month for reviewing the progress of the Department as well as that of the inquiries and inform relevant law enforcement agencies through Parliament that action be taken.
05.	Irregularities committed in issuing international driving permits	<p>The Committee observed that acts having no legal basis and inconsistent with the Motor Traffic Act have been committed and directed:</p> <ul style="list-style-type: none"> • The Accounting Officer of the Department of Motor Traffic to conduct separate inquiry be conducted pertaining to the issuing of international driving permits and submit a report to the Committee within one month.
06.	General Recommendations of the Committee	<ul style="list-style-type: none"> • It is compulsory to conduct relevant investigations in respect of fraud, corruption and irregularities that have occurred in the Department and to mete

		<p>out punishment according to the disciplinary procedures of state agencies.</p> <ul style="list-style-type: none">• There should be constructive intervention and oversight on the part of the Chief Accounting Officer of the Ministry of Transport, Highways, Ports and Civil Aviation in respect of all Departmental inquiries.• It is necessary to mete out punishments through judicial process in respect of criminal offences revealed through disciplinary action.• It is necessary to inflict punishments to offenders through law enforcement agencies by way of a resolution of Parliament in respect of criminal offences unveiled by Audit Reports and brought to limelight before the Committee.
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