

National Council For Road Safety - 2011

1. Financial statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the National Council For Road Safety as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Sri Lanka Accounting Standards.

Following non-compliances were observed.

- (a.) The interest on the Treasury bills and Fixed deposits should be accounted on accrued basis but, accounting on the cash basis was the policy of the Council that had not been revealed in the financial statements.
- (b.) It is the policy of depreciation for Fixed Assets to proportionately depreciate throughout the lifetime of the assets since date of purchase but, provisions for depreciation had not been made as per the policy of depreciation for the assets purchased during the year under review.

1.2.2 Accounting Deficiencies

Following deficiencies were observed.

- (a.) Audit fees had not been paid by the Council since the year 2006 and an audit fee amounting to Rs. 805,870 to be paid from 2006 to 2010 had not been stated as accrued expenses in annual accounts.

- (b.) The expense of Rs. 47,782 incurred for a vehicle that had been obtained on rent by the Ministry of Transport during the year under review and allocated to the Council , had not been accounted as an expense of the Council during the year under review. Instead, the amount had been reimbursed to the Ministry in the year 2012 and accounted as an expense for that year.
- (c.) Out of the contribution of 1% being received from the third party insurance policies for motor vehicles issued by the Insurance Companies registered under the Sri Lanka Insurance Board, the insurance income totalling to Rs. 98,212 to be received from 2 companies, had not been stated under the receivable income.
- (d.) It is the policy of the Council to account the income on cash basis. However, the amount of Rs. 62,899 credited to the bank statement for the month of December 2011 through the Treasury bill No. 06, had been deemed an income received earlier instead of an income. Hence, the income for the year under review had been understated by the same amount in defiance of the aforesaid accounting policy.
- (e.) Even though the total amount of depreciation on the Fixed Assets for the year was Rs. 148,118, it had been stated as Rs. 126,597 in the financial statements. Hence, the depreciation for the year under review had been understated by Rs. 21,521.

1.2.3 Non - availability of Evidence for Audit.

- a) The following transactions could not be satisfactorily vouched due to non availability of evidence indicated against each item to audit.

Subject	Value According to Accounts	Evidence not Presented.
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	Rs.	
i. Interest on Fixed Deposits	847,068	Fixed Deposits Register, Notes on the Accounts
ii. Interest on Treasury Bills	2,340,898	Treasury Bills Register
iii. Income of 1% received from Insurance Companies	20,873,477	Registry containing the complete information on the income of third party insurance policies issued by the Insurance Companies.

b) Misplaced Vouchers

Four Payment vouchers of which, the aggregated amount was Rs. 162,934, had not been presented for audit.

1.2.4 Non compliances with Laws, Rules , Regulations and Management Decisions

Following Non compliances with Laws, Rules , Regulations and Management Decisions, were observed.

Reference to Laws, Rules , Regulations and Management Decisions	Non compliances
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(a.) Financial Regulations

- (i.) **F.R. 135** Financial authority should have been properly assigned with the staff but, such authority had not been assigned.
- (ii.) **F.R.371(2)(b)** The amount to be provided at a time when advances are granted, should not exceed Rs. 20,000 but, Council had provided advances amounting to Rs. 100,000 and Rs. 50,000 in 2 instances.

- (iii.) **F.R. 394 & 396** Action had not been taken on 4 cheques already inused with aggregated value of Rs. 10,270 exceeding 6 months that had not been presented for payment, to be deemed an income received by the Council or to revalidate.
- (iv.) **F.R. 756 & 757** The Council had not conducted a Board of Survey for the year under review and nor a copy of the reports had been submitted to the Auditor General.
- (b.) **Inland Revenue Act No. 10 of 2006** Even though the Department of Inland Revenue had not released this Council form income tax, action had not been taken to pay the taxes by identifying the necessity of paying taxes during the year under review and the preceding years as well.

2. **Financial Review**

Financial Results.

The financial result of the Council , according to the financial statements presented, was a surplus of Rs. 21,877,601 for the year under review, as compared with the financial result for the preceding year surplus of Rs. 14,667,789. Hence, an improvement of Rs. 7,209,812 was observed in the financial result for the year under review. The improvement in the financial result had been mainly due to the interest income and the increased contribution of the insurance companies, that were the main source of income of the Council.

3. **Operations Review**

3.1 Performance

(a.) A main objective of the Council is to create a society devoid of road accidents. Evidence had not been presented that the following tasks had been coordinated in achieving this objective.

- * Preparation and implementation of projects on road safety.
- * Coordinating the Government and Non Governmental Organizations on the road safety.

- * Obtaining financial and other assistance on road safety.
- * Instructing the Government as to the policies and projects on road safety.
- * Maintaining relationships and exchanging expertise with similar international institutes.
- * Gathering information on related subjects, conducting research and field tests.
- * Maintenance of a database with international and local statistics on vehicle accidents, features , composition and quantity of vehicles and, road safety.

Evidence had not been presented that coordination had been maintained in strengthening the road safety with Road Development Authority, the relevant Ministry, Provincial Councils and Ministry of Local Government, Ministry of Transport and related institutes, and Department of Police.

(b.) **Payment of Compensation**

Following matters were observed with this regard.

(i.) **Inadequacy of Paying Compensation.**

Established in December 2004, it is a main objective of the Council to grant financial aids to the dependents of those who were deceased or injured due to accidents caused by unidentified and hit-and-run vehicles. It was revealed in the inspection that, since the year of establishment up to the end of the year 2011, an amount of Rs. 1,835,000 had been paid as compensation for 43 applications out of 143 applications received. The delay in paying the compensation had been caused by the late receipt of verification for relevant certificates of 47 applications. Even though the accumulated amount of the fund since the establishment up to the year under review was Rs. 121,272,202 , the total amount of compensation paid during that period was 1.6 % of the total amount of the fund. It had been informed by the Chairman that attention of the Council had been drawn on amending the compensation amount.

(ii.) Receipt of Applications and Paying Compensation.

Even though newspaper advertisements and awareness programs at “Dayata Kirula” exhibition had been used to make the public aware of the duty of the Council, it is observed that such methods were inadequate. Particulars for 7 previous years are as follows.

Year	No of Applications Received	No of Applications Compensation Had been paid for
2005	No applications received	No compensation had been paid
2006	No applications received	No compensation had been paid
2007	11	No compensation had been paid
2008	11	13
2009	11	13
2010	49	10
2011	61	07
	<u>143</u>	<u>43</u>

c.) Non availability of a Proper Mechanism to Calculate the Source of Income

A proper mechanism is not in use to ensure the accuracy of the contributions of the insurance companies ,the main source of income for the Council. It was observed that no inquiry had been made as to the late receipt of installments of the contributions. The Council only accepts the contributions made by all of the insurance companies without inquiring the number of third party insurance policies issued by such companies.

3.2 Management Inefficiencies

(a.) The Council , established in the year 2004, did not have an approved staff and employees of the Ministry of Transport had been appointed from time to time during previous 07 years.

- (b.) Even though the Council should receive a contribution of 1% of the third party insurance policies issued by insurance companies registered under the Sri Lanka Insurance Board, the Council incurred a loss of Rs. 5,623,485 due to 2 insurance companies paying the contribution less than 1% .

3.3 Under - utilization of Funds

An amount of Rs. 43,634,852 remained continuously in the bank account on monthly basis during the year under review. Measures had not been taken to invest the surplus funds in the Temporary Surplus Fund of the Treasury under the approval of the Treasury or to invest in any other productive manner, by keeping an amount sufficient for the operations of the Council.

4. Accountability and Good Governance.

4.1 Presentation of Financial Statements.

Even though the annual Financial Statements should be presented for audit within 60 days after the lapse of financial year as per the paragraph 6.5.1 of Department of Public Enterprises Circular No. PED12 dated 02 June 2003, Financial Statements for the year 2011 had been presented for audit on 12 June 2012 with a delay of 103 days owing to the non availability of a proper staff.

4.2 Corporate Plan

Although an Action Plan had been prepared in order to accomplish the vision and mission of the Institute in terms of paragraph 5.1.2 of Public Enterprises Circular No PED 12 dated 2 June 2003, a Corporate Plan had not been prepared.

4.3 Internal Audit

Measures had not been taken to establish an internal audit branch since the establishment of the Council up to the year under review. Also , action had not been taken to conduct an internal audit by the relevant Ministry in the year under review.

4.4 Budgetary Control

A budget had been prepared for the year under review but, expenses had exceeded the approved provisions for certain Objects whereas, a considerable amount of cash had not been spent under some of the Objects. Hence, it was observed that the budget had not been made use as an effective instrument of management control in respect of the expenses.

5. Systems and Control

Various inefficiencies had been observed within the following areas and the Council had been apprised from time to time. Special attention of the Council should be drawn on the following areas.

- (a.) Accounting.
- (b.) Investment and calculation of interest.
- (c.) Taking measures to prevent delays in identifying and transferring the contribution being received from the Insurance Companies.