

National Council for Road Safety - 2014.

The audit of financial statements of the National Council for Road Safety for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 and the statement of income and expenditure, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sections 213 A and 237 of Motor Traffic Act, (Cap. 203) as amended by the Act, No. 5 of 1998 published in the Government Gazette dated 04 April 2009. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

Council's internal control. Audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 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 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The compensation amounting to Rs.850,000 payable for the dead and injured who had been identified as payable at the end of the year under review had not been brought to account.

2.2.2 Lack of Evidence for Audit.

Undated fuel bills for Rs.83,400 without the registered numbers of the motor vehicles had been produced for fuel obtained for two motor vehicles .

2.3 Non compliance with Laws, Rules , Regulations and Management Decisions

The following non- compliances with laws, rules, regulations and management decisions, were observed.

**Reference to Laws, Rules ,
Regulations and Management
Decisions**

Non- compliance

(a) Finance Act, No.38 of 1971

(i.) Section 8(2)

Assets purchased for Rs.1,027,785 had not been included in the projected budget or the balance sheet.

(ii) Section 8(3)

Commitments had been made for the capital expenditure of Rs.2,904,902 without prior approval of the appropriate Minister and the Minister of Finance.

(iii) Section 10(5)(1)

The net surplus of Rs.180,834,459 earned by the Council from the year 2005 to the year under review had not been credited to the Consolidated Fund or deposited temporarily in the Treasury.

(iv.) Section 10(5)(1)(A)(B)

A sum of Rs.17,857,585 had been invested by the Council in the Treasury Bills without approval of the appropriate Minister and the concurrence of the Minister of Finance in February of the year under review.

(b) Financial Regulations of the Democratic
Socialist Republic of Sri Lanka

(i) Financial Regulations 3 and 4

Even though advances for workshops and seminars should be obtained after preparing of expenditure plan and programme plan , a sum of Rs.556,500 had been obtained as advances by the Council without such a plan. It was observed that an amount less than 65 per cent of the said advance had been spent.

(ii) Financial Regulations 135

Even though 10 years had elapsed after obtaining the approval of the Cabinet of Ministers for the establishment of the Council ,action had not been taken to appoint an approved staff and delegated financial authority formally.

- (iii) Financial Regulations 138 and 139 Compensation of Rs. 600,000 had been paid without Stamping the 'paid' stamp on the voucher and initialing in support of certification of the vouchers making in payment.
- (iv) Financial regulations 165(2) and Financial Regulations 177(2) A Register of Cheques, Money Orders etc which should be maintained to enter the cash and cheques received by the Council, had not been maintained.
- (v) Financial Regulations 371(2)(c) An advance amounting to Rs.512,500 had been granted again for the same purpose before settlement of the advances amounting to Rs.481,750 granted to 2 officers for the workshops and allowances in 06 instances.
- (vi) Financial Regulations 371(2) (a) (b) Even though a sum of Rs.15,000 as sub- imprest instead of petty cash advances and advances of Rs.44,000 granted in several instances for purchase of fuel for a pool vehicle, a completion of the purpose and settlement had been delayed over periods ranging from 1 ½ to 10 months.
- (vii) Financial Regulations 371(5) Even though the petty cash imprest of Rs.2,000 obtained in the year 2006 should have been settled as the end of that year ,action had not been taken to settle that amount even by the year under review despite the elapse of 8 years.
- (viii) Financial Regulations 752 It was observed that the payment of consumable goods valued at Rs.154,980 had been made without ensuring and those goods had been entered in the Register of Consumable Goods.
- (ix) Financial Regulations 756 and Financial Regulations 754 The Council had not taken action to conduct a Board of Survey for the year under review in relation to assets and other properties belonging to the Council amounting to Rs.3,074,476 and furnish a copy of the report thereon to the Auditor General.

(c) Procurement Guideline

I. Guidelines 3.4.1

Even though selection of suppliers under the Shopping Procedure for purchase of goods should be made by inviting not less than 3 quotations, goods costing Rs.183,824 had been purchased in the year under review without doing so.

II. Guideline 4.2.2

Purchases for Programmes and Projects valued at Rs.22.4 million included in the Action Plan for in year under review had been made without a properly prepared Procurement Time Schedule.

(d) Inland Revenue Act, No.10 of 2006

Even though the Department of Inland Revenue had not exempted this Council from income tax, action had not been taken to pay the taxes by identifying the requirements for the payment of taxes during the year under review as in the preceding years.

3. Financial Review

Financial Results

According to the financial statements presented, the financial result of the operations of the Council in the year under review had been a surplus of Rs.27,647,004 as compared with the surplus of Rs. 33,965,367 for the preceding year, thus indicating a deterioration of Rs.6,318,363 in the financial result for the year under review. Even though the contribution from the insurance corporations, which is the main source of income of the Council, had increased, it was observed that the decrease of interest income from the Treasury Bills and fixed deposits and the increase of expenditure by 98 per cent as compared with the preceding years had been the major reasons for in deterioration.

4. Operating Review

4.1 Performance

The following observations are made.

(a) Contribution to the Objectives and Activities of the Council

Even though 11 main activities had been categorically identified for the establishment of the Council, attention had been made only in respect of paying compensation to victims of accidents caused by unidentified motor vehicles and the preparation and implementation of Road Safety Projects despite in elapse of nearly 10 years had elapse since the establishment of the Council. The other activities had not been indicated with Long Term Plan in the Annual Action Plan as observed in audit .Those objectives and activities are as follows.

- (i) Maintenance of a database with international and local statistics on quantity of vehicles ,road accidents, road safety.
- (ii) Maintenance of a library on the subject of Road Safety
- (iii) Gathering information on related subjects, conducting research and field tests.
- (iv) Giving aid for researches on related subjects.
- (v) Maintaining relationships and exchanging expertise with similar international institutions.
- (vi) Supply of expertise and information to the Government and Non-Governmental Organizations which are responsible for the projects on road safety and related subjects .
- (vii) Coordinating the Government and Non-Governmental Organizations on the road safety.
- (viii) Obtaining financial and other assistance on road safety
- (ix) Advise the Government as to the policies and projects on road safety

(b) Progress on Paying Compensation

Statistical data of the Council on road accidents had been furnished to audit and according to that information 81,459 fatal and serious accidents had been reported during the period of 10 years from the year 2005 to the year under review . Among

those accidents , the information on number of accidents caused by unidentified vehicles had not been available in the Council. The number of fatal and serious road accidents reported in the year 2014 had been 8,949. Nevertheless , only 63 applications had been received for compensation during the same year. However, only 299 compensation applications had been received by the Council during the 10 year period and a compensation of Rs.8,035,000 had been paid only for 171 applications at the end of the year under review.

(c) **Delay in Paying Compensation**

Out of the 63 applications received in the year under review and preceding years , a sum of Rs.1,695,000 had been paid for 23 applications in the year under review as compensation. Material delays were observed during the audit between the receiving date of the applications and the date of payment of compensation . The Council had not taken action to prepare a methodology to reduce such delays up to date.

Payments amounting to Rs.1,555,000 for 16 applications received in the preceding year, a sum of Rs.110,000 after a delay of 02 years to 03 years for 03 compensation applications , and a sum of Rs.30,000 after a delay of 04 years for one application had been paid.

(d) **Delay in Remittance of Insurance Income**

(i) According to the Form 01 in the Notification published in the Gazette No.1368/11 dated 24 February 2004 , it had been stated that , the contributions collected by every insurance company in each month should be sent to the Council on or before the fifteenth day of the month following . Nevertheless, the Council had not taken action for the collection of the recoverable contributions amounting to Rs.189,839 before specified date.

(ii) The Council did not have a methodology to establish the accuracy of the income amounting to Rs.32,447,870 of one per cent remitted to the Council in the year under review collected by the insurance companies for conveying an instalment policy or a guarantee in terms of Order No.2 of the Orders made under the Motor Traffic Act,(Cap.230) as amended by the Motor Traffic(Amended) Act,No.05 of 1998 .

4.2 Management Inefficiencies

(a) Non –incorporation as a Statuary Institution

According to the Section 213(a) of the Motor Traffic Act ,the National Council for Road Safety had been established by the Gazette Notification of the Democratic Socialist Republic of Sri Lanka in April 2005. Even though this Council submit a cabinet memorandum to the Cabinet of Ministers in August 2010 and get the approval of the Cabinet of Ministers for 04 matters that submitting a new Act to the parliament including the composition ,structure and functions of the Council instead of the National Council for Road Safety . However, a period of 05 years had passed after receiving the relevant approval, it was observed that necessary action had not taken to establish as a statuary Institution.

(b) Failure to Achieve the Progress of Projects

Even though the relevant Committee Officers should study the planned projects from time to time and ensure that those are executed within in planned period, it had not been possible to achieve the expected progress of 03 Projects estimated at Rs.10.3 million implemented in the year under review within the planned period.

5. Accountability and Good Governance

5.1 Action Plan

The following observations are made .

- (a) Prior to the inclusion of information in the budgets ,the Action Plans for the annual recurrent and capital programmes should be prepared and such expenditure should be prepared and such expenditure should be included in the estimates.Even though the implementation of programmes costing Rs.22.4 million had been planned in the Action Plan prepared for in year under review ,plans costing of rs.6.15 million only had been included in the budget. As the estimation Rs. 16.25

million had been understated in the budget, it was observed that planning had been done without carrying out a proper study.

(b) Non implementation of Projects According to the Action Plan

Even though Projects should be implemented of the formal approval and according to implemented programmes prepared, out of 23 sub-projects included in the Action Plan for the year under review ,15 sub-projects of estimated cost amounting to Rs.12.1 million had not even been to commenced in the year under review.

(c) Implementation of Non approved Projects

Even though detailed estimates and Action Plan should be prepared for Capital Projects after their approval,the Council had implemented two programmes namely ,Plasting Stickers on Bicycles and the Programme on the International Elders Day without send approval , Action Plan and estimates.It was observed in audit that expenditure on the 02 programmes amounting to Rs.1,943,202 and Rs.418,566 respectively had been incurred by the end of the year under review.

5.2 Budgetary Control

In terms of Section 8(1) of the Finance Act, No.38 of 1971, a budget should be prepared in respect of the financial year and such budget should be approved by the Governing Body not later than three months prior to the commencement of the relevant financial year. Nevertheless, the approval for the estimates of income and expenditure amounting to Rs.31.5 million and Rs.9.9 million prepared by the Council for in year under review, had not been obtained from the Secretary to the relevant Ministry, in view of the absence of a Governing Body.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Council from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting.
- (b) Investment and Computation of Interest.
- (c) Process for Identification and Collection of the Contribution Receivable from Insurance Companies.
- (d) Compensation Payment Process
- (e) Budgetary Control
- (f) Advances