

National Council for Road Safety - 2013

The audit of financial statements of the National Council for Road Safety for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 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 Section 13(1) of the Finance Act, No. 38 of 1971 and 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

The 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

2. Financial statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the National Council for Road Safety as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliances with the following laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulation 135	Financial authorities had not been formally delegated to the staff.
(ii) Financial Regulation 371(4)	The petty cash imprest of Rs.2,000 issued in the year 2006 had not been settled even by the end of the year under review despite the elapse of 07 years.
(iii) Financial Regulations 756 and 757	The Council had not taken action to conduct a Board of Survey for the year under review and furnish a copy of the reports thereon to the Auditor General.
(b) Treasury Circular No. 842 of 19 December 1978.	A Register of Fixed Assets containing the particulars of assets purchased, the date of obtaining such assets and the rate of annual depreciation had not been maintained.
(c) 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 in the year under review, as in the preceding years, to recognize the requirement for the payment of income tax and pay income tax.

3. Financial Review

Financial Results

According to the financial statements presented, the financial result of the Council for the year under review amounted to a surplus of Rs.33,965,367 as compared with the corresponding surplus of Rs.27,061,203 for the preceding year, thus indicating an improvement of Rs.6,904,164 in the financial results of the year under review. The increase of the contribution from the Insurance Companies representing the major source of income of the Council by a sum of Rs.1,439,166 and the increase of the interest income from Treasury Bills by a sum of Rs.6,111,453 as compared with the preceding year had been the major reasons for the improvement.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The main objective of the Council is the creation of a society free of road accidents. But evidence in support of maintaining good co-ordination with the Road Development Authority, the Ministry of Transport, Department of Police, etc. in connection with the following matters for the achievement of the objective had not been furnished.
 - (i) Preparation and implementation of Projects on road safety.
 - (ii) Co-ordination of the activities relating to the road safety in the Government and Non-Governmental Organizations.
 - (iii) Obtaining financial and other assistance for road safety.
 - (iv) Advise the Government on the policies and projects relating to the road safety.
 - (v) Maintaining relations with similar international institutions and sharing knowledge on experiences.
 - (vi) Collection of information, conduct of researches and field inspections on connected subjects.
 - (vii) Maintenance of a database on motor vehicle accidents, the number of motor vehicles, their features and composition, and local and international statistics on road safety.

- (b) Providing financial assistance to the dependents of those killed or injured due to road accidents caused by hit and run or unidentified motor vehicles is one of the main objectives of the Council established in December 2004. An examination of this matter revealed that out of 236 applications received since the establishment of the Council up to the end of the year 2013, compensation amounting to Rs.6,340,000 had been paid on 148 applications. Out of the applications on which compensation had been paid, the payments made on 73 applications had been delayed for periods from 01 year to 03 years due to the delays in the submission of the certificates of confirmation. Even though a sum of Rs.25,921,510 had been received in the year under review by the Council from the insurance companies, the expenditure incurred for the payment of compensation amounted to Rs.3,265,000 or 12.60 per cent.

4.2 Management Inefficiencies

The following observations are made.

- (a) According to the Order No. 2 of the Motor Traffic (Amendment) Act, No. 5 of 1998, any person issuing an insurance policy or a security should remit a contribution of one per cent to the Council. Nevertheless, two insurance companies had remitted less than the amount to be remitted by a sum of Rs.6,621,988 and action had not been taken for the recovery of the outstanding amount. The reason for that had been explained to audit by the Council as due to the failure to amend the Motor Traffic Act to enable the recovery of one per cent of the total installments on insurance policies, despite the possibility of easy computation of one per cent contribution from the Third Party Policies, this position had arisen due to the difficulties in the computation of the contribution of the third party share included in the installments of a full insurance policy.
- (b) According to Format No. 01 in the Notification published in the Gazette No. 1368/11 of 24 February 2004, 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 those contributions.
- (c) Two fuel bills for Rs.45,390 produced for two motor vehicles of the Council did not include the registered numbers of the motor vehicles and the date on which fuel was obtained.

4.3 Underutilization of Funds

The balance of the Bank Current Account of the Council as at the beginning of the year under review amounted to Rs.6.0 million and that had increased to Rs.25.35 million by the end of the year. The additional money available after retaining an adequate amount for the operations of the Council had not been affectively invested with Treasury approval.

5. Accountability and Good Governance

5.1 Presentation of Accounts

In terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the annual financial statements should be presented to the Auditor General within 60 days after the close of the financial year. Even though the financial statements for the year under review were presented for audit on 14 March 2014, the financial statements with the subsequent amendments had been presented only on 31 May 2014, that is, after a delay of 92 days.

5.2 Corporate Plan and Action Plan

Even though a Corporate Plan and an Action Plan had been prepared in accordance with Section 5.1.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003 for the achievement of the Vision and Mission of the Council, the approval of the Secretary to the Ministry of Transport had not been obtained for the plans.

6. Systems and Controls

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

- (a) Accounting
- (b) Financial Management
- (c) Investments and Computation of Interest
- (d) Methodology for the recognition and collection of the Contribution receivable from Insurance Companies
- (e) Payment of Compensation