

National Council for Road Safety – 2018

1.1 Qualified Opinion

The audit of the financial statements of the National Council for Road Safety for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and the Finance Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the **Council** as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.5 of this report.

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

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

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

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

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

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Institute
- Whether the Council has performed according to its powers, functions and duties; and
- Whether the resources of the Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comments of the Management	Recommendation
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(a) In terms of Section 57 of Sri Lanka Public Sector Accounting Standard 07 and the accounting policy of the Council, depreciation of non-current assets should be commenced when they are available for use. Nevertheless, drivers training equipment worth Rs.15,000,000 received from the Japan Government as a donation on 12 December 2018 had not been brought to account under the fixed assets and the depreciation value of Rs.97,603 relevant thereto had not been brought to account.	Action will be taken to account assets under the fixed assets and correct the accounts.	In keeping accounts, Sri Lanka Public Sector Standards should be complied with.

- (b) Interest income of Rs.4,128,270 received for the Treasury Bills relating to the preceding year had not been retrospectively adjusted to the prior year surplus in terms of Paragraph 47 of the Sri Lanka Public Sector Accounting Standard 03 and it had been accounted as an income of the year under review. As such, the surplus of the year under review had been overstated by that amount.
- Keeping accounts on Interest income estimated amounts had received relating to the preceding year should be retrospectively adjusted to the surplus of the preceding year.

1.5.3 Accounting Deficiencies

Audit Observation

Comments of the Recommendation Management

Treasury Bills the face value thereof amounted to Rs.104,742 had not been brought to accounts.

Relevant documents will be corrected.

It should be ensured that the transactions are correctly recorded.

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

Reference to Laws, Rules and Regulations

Non-compliance

Comments of the Recommendation Management

- (a) Section 8 (1) of the Finance Act No.38 of 1971 and Section 5.2.4 of the Public Enterprises Circular No.PED/12 dated 02 June 2003.
- Although the Council should approve the budget three months before the commencement of financial year, approval of the Council had not been obtained for the budget prepared for the year under review.
- Action will be taken to correct the deficiencies.
- In terms of provisions in Finance Act No.38 of 1971, approval for the budget should be obtained before commencing the year.
- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.754
- Inventory registers of the year 2018 had not been maintained in an updated manner.
- Steps have been taken to maintain the relevant register in an updated manner.
- Inventory registers should be maintained in an updated manner as required by Financial Regulation 754.

- (c) Section 4.2.6 of the Public Enterprises Circular No.PED/12 dated 02 June 2003. Although evaluation on the performance should be carried out at the Council Meetings of the Institute, action had not been taken accordingly at the Council meeting sessions conducted. Progress reports had been presented to the progress review meetings conducted under the patronage of the Secretary to the Ministry and the reports will be presented to the Board of Council in future. Action should be taken in terms of circular instructions.
- (d) Section 9.2 (d) of the Public Enterprises Circular No.PED/12 dated 02 June 2003. The organizational structure of the Council and the approved cadre had not been registered with the Department of Public Enterprises of the General Treasury. Action will be taken to register the approved cadre with the Department of Public Enterprises of the General Treasury once the Council is established as a Commission. Action should be taken in terms of circular instructions.
- (e) Section 6.5.1 of the Public Enterprises Circular No.PED/27 dated 27 January 2005. Although the draft annual report together with financial statements should be furnished to the Auditor General within 60 days from the close of the financial year, no annual reports had been prepared relating to any year from the inception of the Council. Instructions have been given to prepare annual reports for the years 2017/2018. Action should be taken in terms of circular instructions.
- (f) Public Enterprises Circular No.PED/55 dated 14 December 2010. Although minimum of 04 Audit and Management Committee meeting sessions should be conducted per annum, only 01 meeting session had been conducted during the year under review. Since a Board of Council had not been appointed, members could not be appointed to the Audit Committee and therefore, meetings could not be held. Meetings will be properly conducted from the year 2019. Action should be taken in terms of circular instructions.

2. Financial Review

2.1 Financial Results

The operations of the Council in the year under review had resulted in a surplus of Rs.52,006,537 as compared with the corresponding surplus of Rs.44,959,713 for the preceding year, thus observing an improvement of Rs.7,046,824 in the financial result. Decrease in the publicity expenditure by 85 per cent and payment of indemnity by 36 per cent had mainly attributed to the above improvement.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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(a) Even though a period of 21 years had elapsed from the establishment of the National Council For Road Safety, functions related to the main objectives indicated in the Motor Traffic (Amendment) Act, No.05 of 1988 such as maintenance of a data base including all the details on new roads and vehicle population added to the road network in each year and number of road accidents and property damages, collecting of data on related subjects, conduct of researches and field surveys on related subjects and providing assistance, advising the Government on the policies and projects relating to the road safety, providing financial and other assistance on the	Action will be taken to achieve these objectives.	Activities should be planned and implemented to achieve objectives of the Council.

affairs relating to the road safety and Coordination of Government and Non-Governmental

Organizations with regard to road safety related activities had not been carried out.

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| (b) | Indemnity of Rs.8,200,000 had been paid to the victims during the year 2017 and it had declined up to Rs.5,200,000 during the year under review. The delays occurred in granting approval of the Council and the Standing Committee owing to shortcomings found in the applications had given rise to the above decrease in payments. | If the application and the other documents have been duly completed, payments will be made in pursuance of the prescribed procedure without delay. | Action should be taken to pay indemnity without delay. |
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3.2 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the formulation of legal provisions for converting the National Council for Road Safety into a Commission had been planned from the year 2010, it had not been completed even during the year under review.	The relevant Cabinet Paper has been prepared and forwarded to the Minister for approval by 10 June 2019.	Action should be taken to carry out planned activities expeditiously.
(b) According to the data analysis pertaining to the road accidents, the number of fatal train accidents had increased by 25 and the number of critical accidents had increased by 331 during	When taking into consideration the annual increase in the number of road users and number of vehicles used, a decrease in the number of accidents could be observed as a percentage.	Action should be taken so as to achieve the objectives of the establishment of National Council For Road Safety.

the year under review as compared with the preceding year. Similarly, the number of accidents caused at the railway crossings had increased by 181. Out of the measures planned during the year under review to prevent those accidents, only 2.8 per cent had been implemented. It was accordingly observed that the social responsibility of the establishment of the Council had not been duly fulfilled.

3.3 Utilization of Funds

Audit Observation -----	Comments of the Management -----	Recommendation -----
Even though an income of Rs.66 million had been earned during the year under review, only Rs.14 million had been utilized for the functions to be discharged by the Council. Although the annual investment rate stood at a higher level, it was observed that the above money had not been used to achieve objectives of the Council.	The present expenses have been maintained at a minimum level in order to ensure smooth management, once the National Council For Road Safety is converted in to a Commission and the excess funds have been invested in Treasury Bills.	Funds should be utilized in the achievement of the objectives of the Act by which the National Council For Road Safety was established.

3.4 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) A Procurement Plan had not been prepared as required by Section 3(e) of the State Finance Circular No.01/2014 dated 17 February 2014.	Relevant Plan has been prepared by 10 June 2019.	The Procurement Plan should be prepared before the commencement of the financial year.
(b) In terms of Paragraph 2.14 of the Government Procurement Guidelines, 2006, the approval of the Secretary to the Ministry should be obtained in respect of vehicle repairs costing over Rs.200,000. Nevertheless, such approval had not been obtained in respect of incurring Rs.821,593 relating to the repair of an official vehicle during the year under review.	Since the pool vehicles have been obtained from the Ministry and repairs are carried out through the Ministry, a special approval is not necessary.	Action should be taken in accordance with the circular instructions.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
(a) In terms of Section 4 (b) of the State Finance Circular No.01/2014 dated 17 February 2014, the Action Plan should be prepared in order of priority according to the annual budget and the prescribed timeframe	The shortcomings occurred in the year 2018 are accepted and action will be taken to avert those types of shortcomings in future.	Action should be taken in accordance with the circular instructions

and the expected output/ outcome of those activities should be stated. Nevertheless, the Action Plan for the year under review had been prepared based on the unapproved budget estimates and expected outcome of the activities had also not been stated.

- (b) Nine projects prepared based on the main objectives of the establishment of National Council For Road Safety in the year 2005 and included in the Action Plan of the year under as applicable to the period from 2010 to 2017 had not been implemented. Although a large number of awareness projects relating to training activities implemented at national level had been recognized as a performance indicator, since resource persons for those programmers had not been identified, the productivity of those programmed remained at a minimum level.
- Action has been taken to implement these programmes in the year 2019.
- Activities included in the Action Plan should be implemented within the relevant year.