

National Transport Commission - 2020

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the National Transport Commission for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 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 effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the commission as at 31 December 2020, and of its financial performance and its 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 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 Commission'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 fund or to cease operations, or has no realistic alternative but to do so.

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

As per Sub Section 16(1) of the National Audit Act No. 19 of 2018, the Commission 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 of the Commission.

1.4 Scope of Audit (Auditor's Responsibility 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 skepticism 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 commission'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 commission'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 fund 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 fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the fund has complied with applicable written law, or other general or special directions issued by the governing body of the fund ;
- Whether the fund has performed according to its powers, functions and duties; and
- Whether the resources of the fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
<p>(a) The adjusted depreciation value of Rs.1,139,058 to the maintenance expenses in correction of the capitalization error of the building maintenance expense of the previous year, the Depreciation expenses for the year under review were less than that amount in the financial statements Due to the deduction from depreciation expenses in the current year.</p>	<p>The removal of the relevant depreciation had been occurred by mistake and it was noted to correct at the preparation of the financial statements for the year 2021.</p>	<p>The relevant adjustment should be made correctly.</p>
<p>(b) The amount of Rs.24,868,093 spent on the implementation of special project using the funds of the commission had been adjusted to the net profit as an expenses government grant. The commission profit and work in progress were less than that amount in the financial statements due to written off the amounting of Rs. 4,241,838 spent on work in progress under this project as income considering as an recurrent expenditure.</p>	<p>Expenditure details for the projects had been submitted as in previous years and it was noted to present further detailed at the preparation of the financial statements for the year 2021.</p>	<p>Expenditure should be correctly identified and accounted.</p>

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Treasury Circular No. 842 dated 18 December 1978	The Commission had not kept a separate record of the value of the assets, annual depreciation, appreciation or removal so that they could be examined.	The asset register is being prepared with the relevant details	Relevant documents should be maintained.
(b) Public Enterprise Circular No. PED 12 dated 2 June 2003 Section 8.3.9	A Management Assistant was released to the service of the Ministry of Transport from 12 October 2020 and paid Rs. 442,932 as salary and allowances up to end of the year under review.	The relevant officer has been released to the assistant staff of the Minister of Transport.	Payment should be reimbursed.
(c) Public Enterprise Circular No: PED 12 dated 2 June 2003 Section 9.1.2	The amount of Rs. 6,744,070 had been spent on employee insurance and other welfare activities without obtaining the approval from the Department of Public Enterprises of Treasury.	Approval had been taken from the Board of Directors of the National Transport Commission. According to the act of the National Transport Commission had given the opportunity to assist to the staff welfare	Treasury approval is required for this.
(d) Financial Regulation of the Democratic Socialist in Sri Lanka Financial Regulations 371 (2) (b)	Although the sub – impress should be limited to maximum of Rs. 100,000 at a time, the sum of Rs. 1,678,155 had been advanced on 7 occasions during the year 2020 Exceeding that limit.	It was noted that minimum cash advances to pay for employee welfare payments.	Financial Regulation should be complying with.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs. 20,894,353 and the corresponding surplus in the preceding year amounted to Rs.172,514,031. Therefore a deterioration amounting to Rs.193,408,384 of the financial result was observed. This deterioration was mainly due to the reduction of Rs. 175,996,143 in revenue of routes permit tenders.

2.2 Trend Analysis of major Income and Expenditure items

- During the year under review, routes license revenue, routes license renewal revenue and routes license tender revenue included in the commission's main revenue were decreased by 93 percent, 48 percent and 57 percent respectively compared to the previous year.
- The Commission's employee pension expenses had increased by 1.74 percent in 2020 compared to 2019.

2.3 Ratio Analysis

- The current ratio of the year under review is 0.27 and it was observed as an adverse situation that higher than compared with the previous year ratio 0.26.
- It was observed that the profit margin for the year under review was 44 percent lower than the previous year.

3. Operational Review

3.1 Uneconomic Transactions

Audit Observation

The commission had lost a revenue amounting Rs.186,850,808 due to it had not fully recovered route license revenue in providing relief for the restore the inter provincial bus service crippled by the corona pandemic.

Management Comment

The approval had granted by the board of directors from paper no 49/2020 to release the fees of passenger service permit, tender fees, expressway temporary license fees, log sheet fees and delay fees at the month of March, April, May in the year of 2020. Although the bus service started in June, because of the running operations had not returned to normal at that time, the board of directors had got the approval by board of paper no 51/2020 and 120/2020 to relief up to September.

Recommendation

Prior to the implementation of the relevant functions, the decisions of the Board of Directors should be taken and the approval of the Cabinet should be obtained accordingly.

3.2 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(i) 117units of office equipment and computer accessories issued by the Commission to bus companies and use an identification number for all assets and un numbered 519 items were not submitted for the survey. Also, 67 item units could not be identified during the survey.	Taking action to record asset numbers.	The equipment issued by the Commission to the bus companies should be properly numbered and recorded.
(ii) The receivable revenue was lost due to the issuance of licenses on a daily basis instead of the commission issuing new license through tender in year of 2020. Also GSP system had been implemented in only 1159 busses or 38 percent out of the 3040 bussed by expected to be implemented within the year	Agree.	GPS must be installed on buses in accordance with the relevant regulations.