

**Head436- State Ministry of Vehicle Regulation, Bus Transport Services & Train Compartments & Motor Car Industry.**

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**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the State Ministry of Vehicle Regulation, Bus Transport Services & Train Compartments & Motor Car Industry for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statement for the year then ended 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. The summary report containing my comments and observations on the financial statements of the Ministry was issued to the Chief Accounting Officer on 31 May 2022 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 09 June 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the State Ministry of Vehicle Regulation, Bus Transport Services & Train Compartments & Motor Car Industry as at 31 December 2021 and its financial performance, and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.2 Basis for the Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**1.3 Responsibilities of the Chief Accounting Officer for the Financial Statements**

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out

periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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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 summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

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

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### 1.5 Report on Other Legal Requirements

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I express the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the state Ministry of the preceding year had been implemented.

## 2. Financial Review

### 2.1 Management of Expenditure

Following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Estimated allocation under vote number 436-1-2-0-1404-11 was Rs. 32,000,000 and after removing the allocation of Rs. 15,530,000 by F.R. 66, the allocation of Rs. 3,738,109 was left.	The State Ministry was also established in the building that housed the Ministry of Transport. Therefore, since there was no rent payment to be made for that place, the building was used by paying only the assessment tax. Hence, the provision allocated under this head of expenditure remained.	Needs should be properly identified and budget estimates should be prepared and provisions obtained should be used for the specific task.
(b) Even though an estimated provision of Rs.395,000,000 had been made for 2 objects, the entire provision had been saved without any expenditure.	436-1-1-0-1102 } 436-1-2-0-1102 } Non-expenditure of allocated provision due to restriction on foreign travel.	Needs should be properly identified and budget estimates should be prepared.
(c) Even though an estimated allocation of Rs.2,103,560,000 was made for 15 objects, a saving of Rs.450,512,388 was observed. It ranged from 13 to 97 percent of the estimated provision.	No expenditure was incurred as the procurement activities for the import of buses to SLTB under Indian Credit Lines had not been completed.	The funded projects should be implemented within the stipulated time.

## 2.2 Non-compliance with Laws, Rules and Regulations

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An instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

<b>Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	

**Establishments Code of the Democratic Socialist Republic of Sri Lanka**

Financial regulation No. 880	No security deposits were kept by officers who required to give security and in charge of the stores.	There is no permanent staff for the Ministry and Development Officers have been appointed as permanent staff from the year 2022. Arrangements will be made to collect security from these officials.	Financial Regulations should be followed.
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## 3. Operating Review

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### 3.1 Performance of projects being implemented under the Ministry's Vote Head

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<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) The project of importing buses for the Sri Lanka Transport Board under the Indian Line of Credits was started by the State Ministry in the year 2020 and it was assigned to the State Ministry from the year 2020 , the year which State Ministry was established, as a project to be implemented and completed within the year 2019 to	The procurement activities were delayed due to the Covid-19 pandemic, and even though the approval of the Cabinet of Ministers should be obtained as the final stage of the procurement for the purchase of buses to SLTB under Indian Line of Credit and the Cabinet	Budget allocations should be properly and efficiently used for the relevant project.

- 2021 under an estimate of Rs. 3692 million. However, a provision of Rs. 850 million was reserved for this purpose in the year 2021, and even though the expected physical progress during the year was 55% , no expenditure had been incurred out of the allocated amount at the end of the year under review, and the expected physical progress also could not be achieved.
- Memorandum was submitted for the same on 02.12.2021 , it was approved on 11.01.2022. Therefore, the provision has been left due to not being able to carry out any activities in the relevant financial year. However, the contract with the supplier has been signed and the letter of credit has been opened in relation to that procurement by now.
- (b) The Sri Lanka Transport Board had an allocation of Rs.11,823 million for recurrent expenditure and Rs.2,405 million for capital expenditure during the year under review.Rs. 11,407 million was spent as recurring expenses and Rs. 1,321 million as capital expenses during the year under review.Nevertheless, it was not possible to get a confirmation of the expenses due to the fact that expenses had not been maintained by the Sri Lanka Transport Board according to a classification of expenses as capital and recurring expenses and the ministry could not get a confirmation on expenses due to that expese report was not obtained by the ministry at the end of the year.
- The Sri Lanka Transport Board has been instructed to maintain records separately as capital and recurring for the expenses incurred from the grants provided by the Treasury and these reports will be available in due course.
- Expenses should be classified as capital and recurring.
- (c) Due to the decision taken to build the toilet system under direct labor system without contracting to an external party, a cost of Rs.6,021,248 has been incurred by 31 December 2021 exceeding the expected estimated value of Rs.4,991,395. This was an increase of 21 percent from the estimate.
- Due to the increase in the prices of raw materials in the construction sector due to external economic factors and especially the increase in the prices of tiles and sanitary materials, the estimated provisions may be exceeded by 35 percent to 40 percent.
- Estimated procurement should be used in such a way as to bring maximum benefit to the government.
- (d) Even though the above project cost had exceeded the estimate, it was observed during the audit that between 30% and 40% of the project was still to be completed. Due to this, it was observed during
- Due to the fact that officers of the project division suffered from Covid disease and shortage of goods in the market and physical variations, the estimated provisions required
- Steps should be taken to prepare and implement the estimates so that the government is as least burdened as possible.

the audit that there is a possibility of increasing the estimated cost by a higher percentage.

for skilled and untrained estimated may be exceeded ,and arrangements have been made to appoint a committee for the same and revise a cost estimate.

### 3.2 Assets Management

#### Audit Observation

#### Comments of the Chief Accounting Officer

#### Recommendation

##### Idle Assets

It was observed that the laptop computers purchased by the Ministry at a cost of Rs.343,960 in the year 2021 were kept in the store without being used until the end of April 2022.

Even though the laptop machine was bought to be given to the Media Secretary of the State Minister,it was held back as a defect occurred ,when it was ready to be handed over to the Media Secretary.

Properly identify the need and purchase and the purchased assets should be used effectively.

### 3.3 Losses and Damage

#### Audit Observation

#### Comments of the Chief Accounting Officer

#### Recommendation

Even though only the accident repair cost of Rs.60,223, which is not covered by the insurance of two vehicles, should be shown in the account as an expense that was not written off, the amount of Rs.593,350, which is the accident repair cost of 5 vehicles, was wrongly stated in the account as losses that were not written off.

The losses related to vehicle accidents were fully mentioned in it, and instructions were given to correct it in due course.

Correct value should be accounted for in financial statements.

### 4. Human Resource Management

#### Audit Observation

#### Comments of the Chief Accounting Officer

#### Recommendation

48 vacancies were observed in 9 posts on examination of approved and actual staff as on 31 December 2021.

There were no permanent staff, Management Assistant Service or Development Officers for the ministry, and Development Officers have been appointed as permanent staff from the year 2022.

Arrangements should be made to fill the staff vacancies taking the requirements into account.