

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the National Council for Road Safety for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in equity, and cash flow statement for the year then ended and notes to 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 presented in Parliament appear in this report.

In my opinion, except for the effects of 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 National Council for Road Safety as at 31 December 2022, and 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 (SLAuS). 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 determines 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 of the Council.

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:

- 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 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 audit 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 audit 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 Council;
- Whether the Council has performed according to its powers, functions and duties;
- 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 Audit Observations on the Preparation of 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.

Audit Observation	Comment of the Management	Recommendation
The Audit had not been provided with evidence to verify the accuracy of insurance contribution amounting to Rs. 72,177,176 remitted to the Council by insurance companies in terms of Gazette Extraordinary No. 2245/31 dated 17 September 2021.	It was informed that discussions should be held with representatives of all insurance companies, and a verification that contributions of the insurance companies are accurate, should be obtained from the Internal Auditor or Chief Executive Officer of the institution	The certified financial statements of the relevant institutions should be obtained in order to verify the accuracy of funds remitted by the insurance companies.

1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
a) As no allocations had been made in the accounts relating to the sum of Rs. 6,586,736 payable on the road sign boards received by the Council during the year, expenses and liabilities of the year had been understated by that amount.	The sum had not considered as an expenditure of the year 2022 by mistake. Action will be taken to correct the error in the financial statements of the year 2023.	Expenses and allocations of the year should be accounted for correctly.
b) The value of fixed deposits amounted to Rs. 186,550,001 by the end of the year under review, but the same had been shown as Rs. 185,167,087 in the statement of financial position. As such, the value of fixed deposits of the year had been understated by Rs. 1,382,914.	The reinvested interest income of Rs. 1,382,914 had not been taken for consideration in preparing the financial statements for the year 2022 by mistake. Corrective measures will be taken thereon in the financial statements of the year 2023.	The value of fixed deposits relating to the year should be accounted for correctly.
c) Interest income on fixed deposits of the year amounted to Rs. 14,008,316 though, the same had been shown as Rs. 13,320,837. As such, the interest income on fixed deposits of the year had been understated by Rs. 687,479.	As several sources of interest income on fixed deposits had not been taken for consideration when preparing the accounts, interest on fixed deposits of the year had been understated in the accounts. Corrective measures will be taken thereon in the financial statements of the year 2023.	The value of interest on fixed deposits relating to the year should be accounted for correctly.
d) The interest income receivable on fixed deposits amounted to Rs. 7,348,671 by the end of the year under review, but the same had been shown as Rs. 8,043,476 in the statement of financial	The interest income on the fixed deposit account No. 204-60-01-0026713-3 had been overcomputed as at 2022.12.31. Corrective measures will be taken thereon in the financial statements of the year 2023.	The receivable interest income on fixed deposits should be correctly accounted for.

position. As such, the receivable interest income had been overstated by Rs694,805

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

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
Public Enterprises Circular, No. PED/12, dated 02 June 2003,			
<ul style="list-style-type: none"> Section 4.2.6. 	Performance reports of the Council should be reviewed quarterly, half-yearly and yearly, but the Council had not conducted progress review meetings during the year under review.	Minutes were not maintained for the internal progress review meetings. Action had been taken to maintain minutes after 2022.09.15 in accordance with explanation of the Government Audit Division given on 2022.09.15.	Action should be taken as per the Circular.
<ul style="list-style-type: none"> Section 5.1.3 	The Action Plan should be approved and forwarded to the relevant institution prior to 15 days of the commencement of the year of finance. Nevertheless, the Council had granted approval for the Action Plan of the year 2022 on 30 March 2022.	The Action Plan had been presented for approval of the Council through the Board Paper No. 2021-17/06-01 dated 202.12.29, and approval of the Secretary to the Ministry had been sought on 2022.01.04. Once amendments were made, approval was granted on 2022.04.25 through MT/05/03/01-2022. It is further informed that the Circular No. PED/12, dated 02 June 2003 being mentioned by you, will be	The Circular should be followed.

- complied with in due course.
- Section 8.8 Delegation of financial powers should be done at the beginning of the year in terms of Financial Regulation 135. However, approval had been given on 30 March 2022. Once amendments had been made after receiving approval of the Council on 2021.12.29, approval of the Secretary to the Ministry had been given through the Letter No. MT/04/11/02/RS dated 2022.05.25. Once approval had been obtained on 2022.10.27 from the Council for the register of delegating powers for the year of 2023, approval of the Secretary to the Ministry had been given on 2023.01.09. It is further informed that approval of the Council will be sought in the future as well. The Circular should be followed.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, operating result of the year under review was a surplus of Rs. 69,109,561 as compared to the corresponding surplus of Rs. 25,504,993 for the preceding year. As such, an improvement of Rs. 43,604,568 was observed in the financial result of the year under review as compared to the preceding year.

2.2 Trend Analysis on the Main Items of Revenue and Expenditure

- a) The main source of revenue for the Council, being the remittances from insurance companies, had increased from 1 per cent to 2 per cent, and hence, the overall revenue had increased by Rs. 20,457,431 in the year under review as against the preceding year. Following the increase in interest rates on fixed deposits and Treasury bills during the year under review, the interest income had also increased by Rs. 36,308,696.
- b) Expenses had increased by Rs. 13,161,557 as compared to the preceding year, and the reasons attributable thereto included the increase in payment of compensation for hit and run accidents by Rs. 10,725,000 and the donation of driver training instrument of the Council worth Rs. 3,803,686 to another institution.

2.3 Ratio Analysis

- a) As the insurance revenue had increased by 40 per cent and the interest income on fixed deposits and Treasury bills had increased by 164 per cent during the year under review, the total revenue of the Council had increased by 77 per cent.
- b) Increase in the expenditure of the year under review was 27 per cent as against the preceding year, and increase in payment of compensation for road accidents by 168 per cent had attributed thereto.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>a) A period of 17 years elapsed since the inception of the National Council for Road Safety established with a view to converting into a Commission. However, the Council had not been established as a Commission even up to 24 January 2023. As such, legal authority had not been vested in the Council to discharge the functions thereof, nor could a formal staff be appointed.</p>	<p>The draft Act prepared to reestablish the National Council for Road Safety as National Transport Safety Commission had been forwarded to the Legal Draftsman, and the draft Act, after being amended by the Legal Draftsman, had been sent to the Ministry of Transport on 2022.03.29 and 2022.05.18. According to instructions given by the State Minister on 2022.12.16, the draft Act had again been revised, and forwarded to the Legal Officer by the Additional Secretary (Development II) under approval of the Secretary to the Ministry on 2022.12.16</p>	<p>The National Transport Safety Commission should be established.</p>
<p>b) Balance of the current account of the Council amounted to Rs. 45 million as at 31 December 2022, and action had not been taken to retain funds sufficient to incur monthly expenses out of the receipts of revenue</p>	<p>Necessary action will be taken in due course.</p>	<p>Action should be taken to invest the excess funds.</p>

thereby failing to invest the excess funds. Balance of the current account of the Council amounted to Rs. 47,858,688 as at 31 December 2022.

3.2 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>a) Contributions amounting to Rs. 72,177,176 had been received from insurance companies in the year under review, and a sum of Rs. 17,100,000 or 24 per cent of the receipt of contributions had been paid therefrom as compensation. It was observed in audit that people's lack of awareness of being compensated following vehicle accidents happening in Sri Lanka, had been attributed thereto.</p>	<p>This had been attributed by the people's lack of awareness of being compensated following accidents.</p>	<p>Awareness programs should be held for people on compensations.</p>
<p>b) Insurance contributions equivalent to 2 per cent should be recovered in terms of Section 02 of the Gazette Extraordinary No. 31/2245 dated 17 September 2021. However, 02 private insurance companies had paid contributions equivalent to only 01 per cent. Action had not been taken to recover the balance 01 per cent or Sabha 1,262,404.</p>	<p>Action has been taken to inform the relevant insurance companies in that regard, and it is informed that those contributions will be received by the Council from those institutions.</p>	<p>Insurance revenue should be collected properly.</p>

3.3 Management of Procurement

Audit Observation	Comment of the Management	Recommendation
<p>A sum of Rs. 335.14 million had been allocated for goods, services and miscellaneous projects in the Procurement Plan prepared along with the annual Action Plan of the year under review in terms of Section 04 (d) of the Public Finance Circular, No. 2014/01 dated 17 February 2014. Nevertheless, 09 procurement activities worth Rs. 186.8 million mentioned in that Plan had not been executed as at 31 December 2022.</p>	<p>The Ministry of Transport and Highways conducted the procurement activities for providing technical equipment required by the Police following a directive of the Public Accounts Committee under an estimated amount of Rs. 150 million.</p> <p>The two projects worth Rs. 2.7 million were new projects included in the Procurement Plan amended on 2022. 08.18. Once approval of the Council had been received on the amended Procurement Plan, Action Plan, and the budget proposal, approval of the Secretary to the Ministry was sought; and, the Secretary's approval was given on 2022.11.02. Hence, those projects could not be completed before the end of the year 2022. Projects worth Rs. 27.6 million had been removed when the Procurement Plan had been amended on 2022.08.18. Procurements on projects worth Rs. 6.5 million had not been done due to import restrictions in the year 2022.</p>	<p>Provisions should be made to proceed with scheduled works.</p>

3.4 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
<p>According to Section 9.2 (c) of the Public Enterprises Circular, No. PED/12, dated 02 June 2003, organizational structure and approved cadre of the Council should be registered under Department of Public Enterprises of the Treasury. However, as this institution had not yet been established as a Commission, the duties thereof had been carried out by attaching 19 officers comprising 14 officers from the Ministry of Transport, 04 officers from the Department of Railways and an officer from the Sri Lanka Transport Board.</p>	<p>It is kindly informed that action will be taken to obtain approval on cadre once the National Council for Road Safety is established as a Commission.</p>	<p>Action should be taken to obtain approval on cadre for the Council.</p>

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Management	Recommendation
<p>(a) Having amended the budget and prepared an Action Plan in July 2021 in order to implement the directives given by the Committee on Public Accounts, programmes had been implemented to minimize accidents caused by speeding vehicles. Although a provision amounting to Rs. 150 million had been made in the year 2022 to implement such programmes, that provision had saved in full as procurement of technical equipment had not been completed. Furthermore, this</p>	<p>The Ministry of Transport and Highways have been requested for further action by preparing the standard bid documents. The State Minister instructed at the progress review meeting that the productivity of this activity be reviewed again before proceeding with procurements.</p>	<p>Directive of the Public Accounts Committee should be implemented.</p>

activity had not been executed even in the preceding year as per the said directive.

- (b) A sum of Rs. 1.7 million had been remitted by the World Health Organization to the Council in the years 2018 and 2019. However, no project whatsoever had been implemented even up to the end of the year 2022 by utilizing those funds.
- Funds of the National Council Fund are utilized for projects implemented by the National Council for Road Safety. As the World Health Organization had not remitted funds to the National Council for Road Safety for a specific project, it is informed that those funds had been credited to the National Council Fund.
- Foreign grants should be utilized ensuring maximum productivity.

4.2 Audit Committee

Audit Observation	Comment of the Management	Recommendation
At least 04 sessions of the meetings of Audit and Management Committee should be held annually in terms of Circular No. DMA/2009/01 dated 29 June 2009. Only one session had been held in the year under review.	It is further informed that meetings of the Audit and Management Committee will be held by avoiding issues.	Action should be taken in compliance with the Circular.

4.3 Budgetary Control

Audit Observation	Comment of the Management	Recommendation
According to Section 8 (1) of the Finance Act, No. 38 of 1971, and Paragraph 5.2.4 of the Public Enterprises Circular, No. PED/12, the budget should be approved prior to 03 months before the commencement of the year of finance. Nevertheless, the budget had been approved by	The budget had been presented for approval of the National Council for Road Safety on 2021.12.29 through the Board Paper No. 2021-17/06-01. Once approval of the Council had been received thereon, approval of the Secretary to the Ministry had	The Circular should be followed.

the Council on 30 March 2022. been received on 2022. 04.25. Once approval of the Council had been received on 2022.10.27 for the budget prepared for the year 2023, it is further informed that action had been taken to forward the budget to the relevant parties.

4.4 Sustainable Development Goals

Audit Observation	Comment of the Management	Recommendation
<p>The Council had identified 3 Sustainable Development Goals relating to the road safety, but a Sustainable Development Plan as per the Circular No. NP/5P/5dg/17 of the Ministry of National Policies and Economic Affairs dated 14 August 2017 had not been prepared even up to the date of audit.</p>	<p>As the National Council for Road Safety functions under scope of the Ministry of Transport and Highways, a development plan specific to the Council has not yet been prepared. The Council provides its assistance on road safety for the Ministry of Transport and Highways to prepare the Sustainable Development Plan.</p>	<p>Plans should be prepared by identifying the Sustainable Development Goals.</p>