

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 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information, 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 2023, 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 observations related to maintenance of main accounting records like General Ledger, Journal, Journal Vouchers, Payment Vouchers etc. are included under the following headings.

1.5.2 Absence of written evidence for audit

Subject	Amount Rs.	Audit evidence not provided	Comments of the Management	Recommendati on
According to the final accounts, the related comprehensive schedule and fixed asset register were not submitted to the audit in order to ascertain the values of fixed assets related to 7 categories. Therefore, the value of those fixed assets and the correctness of the corresponding depreciation values could	4,385,243	Fixed asset register and compreh ensive schedules	The council does not have a fixed asset register. The new purchases adjusted values to the opening balance are included in the 2023 closing accounts, all assets are recalculated to identify updated values and a fixed asset register is prepared.	Actions should be taken to prepare fixed assets register and detailed schedules

not be confirmed during the audit.

1.6 Non-compliance with laws, rules, regulations and management decisions etc.

Reference to laws, rules, regulations etc	Non-compliance	Comments of the Management	Recommendation
Regulation 110 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	A register of damages had not been maintained.	Currently no register of damages is maintained and actions will be taken to prepare and update a register of damages in the future.	Actions should be taken to maintain a damage register as per the Financial regulations.

2. Financial Review

2.1 Financial Results

The operating result of the reviewed year was a surplus of Rs.132,698,921 and correspondingly the surplus of the previous year was Rs.69,109,561. Accordingly, It was observed that there was a growth of Rs. 63,589,360 in the financial result.

2.2 Trend analysis of major revenue and expenditure subjects

- (a) Compared to last year, the council's income had increased by Rs.39,393,827 and it was mainly due to the increase of the insurance income and investment income of the council by Rs.2,029,775 and Rs.37,364,052 respectively in the reviewed year.
- (b) Compared to the previous year, the expenditure of the council had decreased by Rs.24,195,533 and it was mainly due to the decrease of the road safety management expenses and the administrative expenses of the institution by Rs.21,630,273 and Rs.2,565,260 respectively.

3. Operational Review
3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>According to Section 10.6 of the Parliamentary Publication Series No. 351 of the Parliamentary Special Committee dated 12 December 2014, Although it is necessary to establish a full secretariat with highly qualified and trained staff, to better manage the country's road safety, make this institution a National Commission and provide it with the necessary powers, authority and financial resources, and support the work of the Commission, due to the fact that this institution has not been established as a commission according to the provisions, it has not received formal legal authority to perform the functions of this council.</p>	<p>After presenting the final draft of the bill required to make it a commission, the Presidential Secretariat informed that the work should be temporarily stopped. The bill was again submitted to the legislators in the year 2024. Furthermore, the Department of Management Services for the National Council for Road Safety has approved the staff of 05 development officers, a director, an assistant director and an accountant.</p>	<p>Efforts should be made to establish the National Road Safety Commission.</p>

3.2 Operational Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	<p>According to No. 2245/31 and the extraordinary gazette dated 17 September 2021, the management had not prepared an internal control system to confirm the correctness of the insurance income of Rs. 74,206,951 remitted by 14 insurance companies.</p>	<p>Since the Sri Lanka Insurance Regulatory Commission and the insurance company do not have information related to the insurance contribution, upon the agreement of those organizations, actions are taken to obtain the form given to the insurance companies by the council on a monthly basis with confirmation from the chief internal auditor or the chief financial officer of the concerned company.</p>	<p>The management should prepare an internal control system that can verify the correctness of the money remitted by the relevant insurance institutions.</p>

<p>(b) According to the order given by the Committee on Public Accounts dated 10 February 2021, due to the non-completion of the procurement activities related to the implementation of the programs to reduce road accidents caused by high speed from the year 2021, the relevant order had not been implemented even after three years.</p>	<p>With the expectation of cancelling the order of Committee on Public Accounts, actions have been taken to remove from the project to provide speedometers and technical equipment to the Sri Lanka Police, which had been included in the action plans of 2021, 2022, 2023 and allocated a provision of Rs. 150 million from the revised action plan of 2023.</p>	<p>Actions should be taken to implement the order of the Committee on Public Accounts</p>
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3.3 Procumbent Management

Audit Observation

According to Section 01/2014 (4) (d) of State Finance Circular No. 01/2014 dated 17 February 2014 issued by the Ministry of Finance and Planning, the institution had planned to implement 31 activities worth Rs. 120 million in the annual procurement plan prepared with the annual action plan. Despite this, no performance had been reported in 20 procurement activities worth Rs.52 million, and in another 11 procurement activities, the expected target objectives had not been met as planned, since it was observed that there was an average of only 10 per cent of its financial performance in the year 2023. It was also observed that the procurement plan prepared for the project has not been implemented effectively to achieve the desired objectives.

Comments of the Management

Due to the change of the chairmanship three times in the year 2023, the related situation revised the 2023 action plan, procurement plan and budget and after receiving the approval of the secretary of the Ministry, although the work was started, the work could not be completed as expected, Therefore, 2024 action plan, procurement plan and the budget were introduced by adding new amendments. I kindly inform that we are working to achieve the expected performance in the year 2024.

Recommendation

The procurement plan should be realistic and actions should be taken to achieve the desired objectives of the organization through it.

3.4 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
Although the approval of the Department of Public Enterprises of the Treasury should have been obtained for the approved task force, due to the fact that this institution has not been established as a commission so far, the staffs consisting of 14 officials from the Ministry of Transport has been assigned to carry out the related duties.	The final draft of the bill was again submitted to the legal Draftsman in the year 2024 regarding making it a suspended commission as per the instructions of the Presidential Secretariat. Furthermore, the appointment and approval of 05 development officers, a director, an assistant director and an accountant, respectively, have been received through the management services department for the National Road Safety Council.	Actions should be taken to approve necessary full-time staff for the council and recruit

4. Accountability and Good Governance

4.1 Annual Action Plan

	Audit Observation	Comments of the Management	Recommendation
(a)	Although 35 tasks had been identified and planned in relation to 22 projects worth Rs. 110 million to be implemented under 05 pillars of the action plan prepared by the Council, 21 of the tasks worth Rs. 55 million, that is, 50 percent was not fully completed.	The position of the chairman of the council changed from time to time and in the national council meeting held on 16.06.2023, the council's 2023 action plan, procurement plan and budget were amended, and after receiving the approval of the ministry secretary, the work was initiated but the work could not be completed as expected. 2024 action plan and procurement plan have been prepared.	The action plan should be realistic and actions should be taken perform the tasks therein as planned.

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| (b) | <p>Although in the year under review, 14 tasks related to 09 projects with an estimated value of Rs.55 million mentioned in the action plan were started and Rs.25 million had been spent, the performance of those projects remained below 50 percent.</p> | <p>For the projects included in the revised action plan of 2023, although the works were started after receiving the approval of the secretary of the Ministry, the works were not completed as expected, so it is expected to prepare the 2024 action plan and procurement plan by adding those amendments and achieve the performance of the action plan and procurement plan in a more efficient manner in 2024.</p> | <p>Activities as specified in the action plan should be carried.</p> |
| (c) | <p>Under the implementation of programs to ensure the safety of cyclists, which had been removed from the revised action plan prepared in relation to the year 2023, the Council had arranged to print reflective stickers for pasting on bicycles at a cost of Rs.2,650,000.</p> | <p>If proposals are submitted for projects that cannot be identified before the start of the year, the action plans will be revised and implemented accordingly. Although the project has been removed from the action plan in anticipation of speedy delivery of stickers worth Rs. 2,650,000 purchased, this project has been included in the 2024 action plan as the work has not been completed.</p> | <p>Actions should be taken to include the identified necessary new projects in the action plan and implement with approval.</p> |
| (d) | <p>It was planned from the year 2017 to maintain a library on the subject of road safety as mentioned in 2(b) of the Extraordinary Gazette No. 1387/4 dated 04 April 2005 to refer books and other information related to road safety. Also in the year 2021 it had been completed as an e-library with a cost of Rs.570,000. But in the action plan that was</p> | <p>Although the project to update the council's e-library established in the year 2021 and to educate the public about it was included in the 2023 action plan and actions were taken to identify the error occurred due to not being included in the 2023</p> | <p>The further activities of the proposal should be implemented in a formal manner.</p> |

prepared at the beginning of 2023, Rs.0.7 million was allocated for this proposal and it was planned to implement the e-library under three activities, but this proposal had been removed from the revised action plan of 2023. Accordingly, the planned and implemented e-library had not achieved the desired objectives.

revised action plan and include it in the 2024 action plan and it will be updated in the year 2024 and the people will be adequately informed about it in order that the objectives of establishing the e-library may come true.

<p>(e) A research for "minimizing motorcycle accidents" which was implemented under pillar 01 of the action plan of the year 2022 was carried out under 4 phases and completed in the year 2022 and assigned to an external party to receive the reports according to an agreement. Although only 2 phases were completed and a report had been given to the council in the year 2023, a situation has arisen at present where it is impossible to implement the remaining 2 phases of the research and the amount of Rs. 700,000 that had been incurred so far had been idled. Furthermore, the council had not taken the necessary steps regarding the uncertainty of moving forward with the project and the violation of the agreement.</p>	<p>2 phases of the research work have been completed and its reports have been received by the National Council for Road Safety and in the year 2024 the relevant party has forwarded one of the remaining two reports to the Council. Further work will be done upon inquiring from the Secretary of the Ministry of Transport and Highways in respect of the measures to be taken in this regard.</p>	<p>Actions should be taken in respect of breach of agreements according to the agreement and necessary steps should be taken to complete the research.</p>
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4.2 Budgetary Control

Audit Observation

Estimated total income and capital expenditure of the institution for the year under review were Rs.114 million and Rs.119 million respectively, as actual income was Rs.170 million and actual capital expenditure was Rs.28 million, it was observed that there was a difference of Rs.56 million between estimated income and actual income. That is, a

Comments of the Management

The 2023 budget document of the National Council for Road Safety was amended in August and although the revised work was initiated, the 2024 budget document was prepared by adding those amendments since the revised work could not be completed as expected. In the year 2024, efforts will be made to achieve the desired

Recommendation

Actions should be taken to use the budget as an effective management control tool.

positive variation of 49 per cent and a negative variation of Rs.91 million i.e. 76 per cent between the estimated capital expenditure and the actual expenditure. Accordingly, the council had not used the budget document as an effective management control tool.

performance in a more efficient manner by reducing the problems that occurred in the previous year.

4.3 Objective of the Sustainable Development

Audit Observation

Although the council had identified the sustainable development goals to be achieved in relation to road safety for sustainable socio-economic development and included the tasks to be implemented under 05 pillars of the council's 2022-2024 three-year operational plan and prepared the action plan for the year 2023, the progress in reaching the sustainable development objectives of the council was also at a low level due to the fact that the progress was at a very low level during the year under review.

Comments of the Management

No sustainable development plan has been prepared for the council and a three-year action plan for the years 2022-2024 was prepared and implemented and it is based on the five-pillar approach proposed by the United Nations Road Safety Partnership for the Decade of Action on Road Safety.

Recommendation

Necessary actions should be taken to expedite to achieve sustainable development goals.