

National Transport Medical Institute - 2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the National Transport Medical Institute as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Best Accounting Practices

Instances of non-compliance with the Best Accounting Practices are given below.

- (a) The statement of changes in equity had not been submitted along with the financial statements.
- (b) The purchase and disposal of property, plant and equipment during the year should be disclosed separately in the financial statements while the fixed assets purchased during the year under review totalled Rs. 4,250,078 had not been disclosed in the financial statements.
- (c) A plot of land in extent of 6.09 perches belonging to the Transport Medical Institute had been acquired by the Ministry of Ports and Highways and Treasury Bills valued at Rs.21,703,500 had been given in this regard to the Medical Institute. However, it had not been identified the profit or loss incurred thereon by eliminating the book value of this asset from the accounts.

1.2.2 Accounting Deficiencies

The following observations are made.

- (a) The surplus of the year had been understated by Rs. 974,564 due to allocation of accrual expenditure of two expenditure items by overstating Rs. 1,074,564 and an item of expenditure by understating Rs. 100,000 relating to the year under review.
- (b) The internal account balances should not be shown when preparing the financial statements. Though credit and debit balances amounting to Rs. 89,167,040 in the current account along with the branch at the head office and the current accounts with the head office at the branches should be settled each other, these balances had been shown under current assets and liabilities of the financial statements.

1.2.3 Un-reconciled Control Accounts

The difference of Rs.637,446 between the distress loan register and the financial statements in respect of officers employed at the branch offices had not been settled.

1.2.4 Income Receivable

The following observations are made.

- (a) A sum of Rs. 3,312,650 recoverable on behalf of supplied the medical services to the employees of the Sri Lanka Transport Board up to 31 December 2012 had not been recovered even up to October 2013.
- (b) Even though a building had been obtained on a rental basis for the Kurunegala branch for the period from 01 June 2010 to 31 May 2011, this branch had been shifted to another place on 31 December 2010 before ending the above period as such the security deposit of Rs. 87,500 had not been recovered even up to October 2013.

1.2.5 Lack of Evidence for Audit

Evidence shown against the following items of accounts had not been presented for audit.

Item of Accounts -----	Account Balance ----- Rs.	Audit Evidence not Presented -----
(a) Fixed Assets	69,176,686	Reports of the Board of Survey
(b) Stock	6,050,388	Stock Verification Reports
(c) Debtors	4,030,546	(i) Confirmation of balances (ii) Age analysis

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka. ----- (i) Section 1.3 of Chapter XIV	Sums of Rs.227,453 and Rs.46,180 had been reimbursed for accommodation and food respectively for the year under review in addition to the combined allowance for officers engaged in official duties.

- (ii) Section 10 of Chapter XV and first paragraph of the Presidential Secretariat Circular No. CSA/01/01/2006 of 10 February 2006. A doctor of the Transport Medical Institute had gone abroad without obtained the approval of the Prime Minister.
- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) F.R 396 (d) Action in terms of Financial Regulation had not been taken in respect of 07 cheques issued as at 31 December of the year under review valued at Rs.80,832 exceeding a period of more than 6 months
- (ii) F.R 757(2) (b) Copies of Boards of Survey reports had not been submitted to the Auditor General.
- (iii) F.R. 762 Attention had not been paid for determining the stock level relating to the printed medical certificates and Laboratory stock which are the main stock requirements of the Institution.
- (c) Finance Act, No. 38 of 1971
(i) Section 11 of the Finance Act, and Section 8.2.2 of the Public Enterprises Circular No.PED/12 dated 02 June 2003 Although a sum of Rs.27,281,106 and Rs.190,645,275 had been invested in fixed deposits and the Treasury bills respectively during the year under review, the concurrence of the Minister of Finance and the approval of the relevant Minister thereon had not been obtained.

- (ii) Section 14 (3) of the Finance Act, and Section 6.5.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003
- The annual report for the year 2011 had not been tabled in Parliament up to 31 October 2013.
- (d) Public Administration Circulars
- (i) Paragraph 2 of the Public Administration Circular No. 31/2008 of 31 December 2008 and the Public Enterprises Circular No. 95 of 14 June 1994.
- The maximum festival advance given to an officer should be limited to Rs.5,000. Nevertheless it had paid at the rate of Rs.25,000 as such a sum of Rs.1,960,000 had been paid excessively during the year under review.
- (ii) Paragraph 2 of the Public Administration Circular No. 27/2011 of 12 December 2011 and the Public Enterprises Circular No. 95 of 14 June 1994.
- The maximum special advance given to an officer should be limited to Rs.2,500. Nevertheless it had been paid at the rate of Rs.25,000 as such a sum of Rs.2,165,000 had been paid excessively during the year under review.
- (e) Public Enterprise Circulars
- (i) Section 8.3.3 (c) of the Circular No.PED/12 dated 02 June 2003 and Management Services Circular No. 49 of 24 December 2012
- Even though either bonus or the incentive whatsoever only one can be paid to the employees, sums of Rs.935,000 and Rs.467,500 had been paid as bonus and incentives respectively during the year under review. Proper approval had not been obtained for this incentive payment.

(ii) Paragraph 3 of the Circular No.PED/50, dated 28 July 2008 and Public Administration Circular No. 13/2008(iv) of 09 February 2011

(i) Although the Chairman is entitled only to 140 liters of fuel per month, exceeding that limit 603.7 liters of fuel had been obtained during the 06 month of the year under review

(ii) A fuel allowance of Rs. 150,000 at the rate of Rs. 12,500 per month had been paid to an Accountant in class III who had not been entitled to obtain the monthly fuel allowance.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the deficit of the National Transport Medical Institute for the year ended 31 December 2012 was Rs. 13,979,214 as against the surplus for the preceding year of Rs.45,668,769. Decrease of income from medical services by Rs. 41,610,027 and increase of salaries and allowances by Rs. 15,491,569 as compared with the preceding year was mainly attributed for the deterioration of Rs. 59,647,983 in the financial results.

3. Operating Review

3.1 Mnagement Inefficiencies

The Accountant of the Institute had applied for a tariff free motor vehicle permit under the Trade Tariff and Investment Policy Circular No. 1/2010 of 10 October 2010 and her service period was not adequate to obtain that permit. Therefore her date of appointment had been backdated by two years by the Board of Directors enabling to obtain the permit.

3.2 Personnel Administration

The following observations are made.

- (a) When compared the approved cadre by the Department of Management Services in the year 2008 and the actual cadre as at 31 December 2012, there were 86 officers in excess and a shortfall of 24 officers.
- (b) Although the proposed new cadre and the organization structure for the Transport Medical Institute in the year 2010 had been approved by the Board of Director on 20 November 2012, the new cadre and the organization structure had not been registered at the Department of Public Enterprises in terms of Section 9.2 (d) of the Public Enterprises Circular No. PED/12 of 02 June 2003.
- (c) The concurrence of the General Treasury and the Department of Public Enterprises had not been obtained for the recruitment and promotion procedure prepared and presented for the Institute according to the Section 9.3.1 of Public Enterprises Circular No. PED/12 of 02 June 2003.
- (d) According to the Section 9.10 of Public Enterprises Circular No. PED/12 of 02 June 2003, without an approval of the General Treasury, a member of the Board of Director had been appointed since 01 December 2011 for the post of administrative consultant which is not belonging to the approved cadre and a sum of Rs. 349,650 had been paid an allowance during the year under review.

4. Accountability and Good Governance

4.1 Corporate Plan

Although according to Section 5.3.1 of the Public Enterprises Circular No. PED/12 dated 2 June 2003, a Corporate Plan should be presented before 15 days of commencement of financial year; such Plan for the period 2011 – 2013 had been presented to the Auditor General only on 29 November 2011.

4.2 Procurement Plan

A Procurement Plan for the year 2012 had not been prepared in accordance with the Guideline 4.2 of the Government Procurement Manual.

4.3 Budgetary Control

The variances between the ranges of 38 per cent to 93 per cent were observed when compared the provision in the budgeted estimate prepared for the year under review with actual balances thus, indicating that the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets
- (b) Staff Loans
- (c) Debtors
- (d) Stock Control
- (e) Personnel Administration
- (f) Budgetary Control