

National Council for Road Safety - 2015

The audit of financial statements of the National Council for Road Safety for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 and the income and expenditure account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Sections 213 A and 237 of Motor Traffic Act, (Cap. 203) as amended by the Act, No. 5 of 1998 published in the Government Gazette dated 04 April 2005. My comments and observations which I consider should be published with the Annual Report of the Council in terms of Section 14(2)(c) of the Finance Act, appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements 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 Council's internal control. Audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 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 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standard 03

As the useful life of non-current assets had not been reviewed annually, assets costing Rs.911,785 were further being used despite being fully depreciated. Accordingly, action had not been taken to revise the estimated error.

2.2.2 Accounting Deficiencies

An interest income of fixed deposits amounting to Rs.79,109 receivable for the year 2014 had been credited to the income of the year under review, instead of being adjusted to the profit of the preceding year.

2.2.3 Lack of Evidence for Audit

The evidence indicated against the following transactions had not been made available to audit.

Item	Value as per Accounts/Payment vouchers/Confirmation Letters	Evidence not made available
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	Rs.	
(a) Insurance Income	3,238,013	Confirmation on the third party policies.
(b) Expenditure on Training Programmes	20,000	Written evidence to the effect that the lecturers were conducted.
(c) Interest Income	85,808	Detailed schedules

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

Non-compliance with following Laws, Rules, Regulations and Management Decisions were observed in audit.

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

Non-compliance

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| (a) Inland Revenue Act, No.10 of 2006 | In accordance with the Inland Revenue Act, the Council had not been exempted from the income tax, whereas action had not been taken to register for the income tax and to pay the tax. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. | |
| (i) Financial Regulation 139 | In making payment for the vouchers, it should be established that each voucher had been certified by an authorized officer for the certification and the identity of the payee. Nevertheless, payments amounting to Rs.1,064,731 had been made contrary to that. |
| (ii) Financial Regulations 751 and 752 (i) | Even though all the goods received by and issued from the Government institutions should be entered in an inventory or stock books, the receipt of goods amounting to Rs.204,436 purchased by the Council had not been so documented. |
| (c) Public Enterprises Circulars | |
| (i) Circular No. PED/25 dated 29 July 2004 | The Council had invested a sum of Rs.24,476,981 in Treasury Bills during the year under review without the approval of the Minister of Finance. |
| (ii) Circular No.14/2008 dated 26 June 2008 | Contrary to the provisions in the Circular, a sum of Rs.40,000 had been over paid to the Chairman of the Council as the transport allowances within 04 months in the year under review. |
| (iii) Paragraph 2 of the Circular No.58 (2) dated 15 September 2011 and Paragraph 2.11 of the Circular No.3/2015 dated 17 June 2015. | * Contrary to the provisions in the Circular, a sum totalling Rs.30,000 had been paid to the Chairman as the attendance allowances during the 06 months in the year 2015. |

* Although an allowance of Rs.4,000 only should be paid to the members of the Council in respect of a single meeting, payment at Rs.5,000 had been made. As such, Rs. 50,000 had been over paid for 15 members from January to June 2015.

* Although the members and observers are qualified for the attendance allowances, officers of the Council who were not the member of the Council had been paid Rs.243,000 as attendance allowance during the year under review contrary to the provisions in the circular.

(iv) Circular No. PED/1/2015 dated 25 May 2015 and Section 2 of the Public Administration Circular No.22/99 (xxx) dated 17 November 2014.

A Private vehicle of an officer employed in the Council had been deployed for the affairs of the Council during the year under review without a written approval of the General Treasury or the Ministry of Public Administration and bills for the fuel amounting to Rs.139,635 had been reimbursed in that respect.

(d) Treasury Circular No.842 dated 19 December 1978.

A register had not been maintained in respect of fixed assets costing Rs.3,074,244.

(e) Letter No.BD/IP/117/1/10/14 dated 27 June 2014 of the Ministry of Finance and Planning.

Contrary to the provisions in the letter, express ways had been utilized during the year under review and the bills amounting to Rs.11,100 had been reimbursed.

(f) Letter No. EST/8/ALOWN/05/01/02 dated 27 March 2015 of the Director of Establishments of the Ministry of Public Administration, Provincial Councils, Local Government and Democratic Administration.

For 09 awareness programmes conducted by the National Council for Road Safety during the year 2015, a sum of Rs.525,000 had been paid as the resource person allowances without the approval of the Treasury

2.4 Analytical Financial Review

Out of the total net assets of the Council, 89.4 per cent had been invested in the Treasury Bills and the fixed deposits and it had been 83.5 per cent in the preceding year. Accordingly, it was

observed that the Council had shown more tendency towards earning money through the investment of funds than the achievement of prime objectives of the Council.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Council for the year ended 31 December 2015 had resulted in a surplus of Rs.25,678,296 as compared with the corresponding surplus of Rs.27,647,004 for the preceding year, thus indicating a deterioration of Rs.1,968,708 in the financial results of the year under review as compared with the preceding year. Although the contribution of insurance income had increased by Rs.5,741,131 in the year under review as compared with the preceding year, increase in the annual expenditure by Rs.7,805,702 had mainly attributed for the above deterioration.

In analyzing financial results of the year under review and three preceding years, although there was a continuous financial surplus of the council, it had fluctuated annually. When taking into consideration the employees remuneration and depreciation for the non-current assets, the contribution of the Council remained fluctuating from the year 2012 up to the year 2015 and the contribution had increased by 21 per cent only in the year 2013. As compared with the year 2012, a considerable increase in the contribution was not observed in the year 2014 and 2015 and attention had not been drawn on the strategies required for its improvement.

4. Operating review

4.1 Performance

The following observations are made

- (a) The functions of the National Council for Road Safety, established under section 213 (a) of the Motor Traffic Act, (Cap. 203) as amended by the Act No.05 of 1998 are as follows.
- Maintenance of a data base on the vehicle population, its features and composition, road accidents and road safety and maintenance of a library on the subject of road safety.
 - Collection of information and conduct of researches and field surveys on related subjects and providing assistance for those researches.
 - To liaise with similar international institutions and shared experience.
 - Dissemination of knowledge and information on road safety and related projects, preparation and implementation of projects on road safety and advising the Government on those projects.
 - Coordination of Government and Non-Governmental Organizations

with regard to road safety related activities.

- Payment of compensation to the persons who victimized to hit and run accidents and providing financial and other assistance for the activities relating to the road safety.

The following observations are made in the achievement of the above functions

- Although a period around 10 years had elapsed since the establishment of the Council, two out of the above functions viz; payment of compensation to the persons who victimized to hit and run accidents and the preparation and implementation of projects on the road safety only had been implemented by the Council.
- Although an awareness programme had been planned for the three-wheeler drivers in the district of Monaragala from 15 to 17 July 2015, that programme had been called off. As such, the expenditure amounting to Rs.787,573 incurred for publishing newspaper advertisements before the conduct of that programme had become an uneconomic expenditure.
- out of 13 sub-projects incorporated in the Action Plan of the year 2015, 05 sub-projects with an estimated cost of Rs.10,000,000 had not been implemented even by the end of December 2015. Moreover, the progress achieved by a project, the estimated cost of which was Rs.10,000,000, had been only 25 per cent.

4.2 Operating Inefficiencies

The following observations are made.

- Out of the contributions received by the National Council for Road Safety from the third party insurance charges, the total expenditure incurred including the compensation paid for the deaths and injuries caused by hit and run accidents had been 28.2 per cent in the year 2014. Even though it had increased up to 42.1 per cent during the year under review, out of total 430 applications received up to the year 2015, 70 applications had been turned down and compensation had been paid for 219 applications. The number of applications for which compensation had to be further paid was 141. Out of them, compensation of Rs.4,525,000 had been paid for 50 applications received from the year 2013 to 2015 after a delay of 06 months to 02 years from the receipt of the applications.
- As programmes had been initiated without proper plans, out of the advances amounting to Rs.498,500 obtained in 10 instances, a sum of Rs.220,862 had been saved and it had ranged from 34 per cent to 75 per cent from the advance received.

4.3 Personnel Administration

The following observations are made.

- In terms of the Cabinet Decision No අමප./10/1883/445/051 dated 26 August 2010, the Cabinet had decided to establish the National Road Safety Commission under the

Ministry of Transport on a least expenditure in a manner not to cause an additional expenditure to the General Treasury and to forward a new Act including its composition , structure and the functions seeking approval of the Parliament. Nevertheless, that decision had not been implemented even by the end of the year under review.

- (b) Even though a period of nearly 10 years had elapsed from the establishment of this Council in the year 2005 by the end of the year under review, action had not been taken to obtain approval of the General Treasury for a permanent cadre and to make recruitments and duties had been carried out by the staff of the Ministry of Transport and Civil Aviation.

4.4 Social Responsibility

The following observations are made.

- (a) The Number of fatal accidents reported from the year 2010 to the year 2015 was 56,392 and the number of accidents had increased by 10.5 per cent in the year under review than the preceding year. Further, there was no specific method in the Council to identify the number of hit and run accidents out of the said accidents. Accordingly, action had not been taken to fulfil the objectives and the functions of the Council adequately in the discharge of the social responsibilities.
- (b) Even though a sum of Rs.469,687 had been spent on 05 awareness programmes for the three- wheeler drivers during the year under review, the fatal accidents caused by three-wheelers within the first 06 months of the years 2014 and 2015 were 131 and 177 respectively. Hence, the number of accidents had increased by 35 per cent. Accordingly, expected social responsibility had not been fulfilled as compared with the expenditure of the Council.

5. Accountability and Good Governance

5.1 Corporate Plan

In the examination of the Corporate Plan prepared by the National Council for Road Safety from the year 2011 to the year 2020, it was observed that the above plan had not been approved by the Board of Directors and the Secretary and the plan had not been updated after the year 2011. Further, the following aspects which should have been included in the Corporate Plan had not been so included.

- (a) Identification of viability, obstacles and weaknesses of the Council and carrying out evaluation thereon.
- (b) Recognition of appropriate strategies for the achievement of the business objectives.
- (c) To set targets to be achieved timely and assigning responsibilities for the achievement of those targets up to the operational level logically.

5.2 Annual Action Plan

In terms of Section 05 of the Public Finance Circular No. 01/2014 dated 17 February 2014 issued by the Ministry of Finance and Planning, although the Action Plan should be prepared in accordance with the Corporate Plan, as the Corporate Plan had not been updated during the year 2015, the Action Plan had not been prepared accurately.

5.3 Budgetary Control

In terms of Section 5.2.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the budget estimates should be prepared so as to enable the annual recurrent programmes and capital programmes be to recognized vividly. Nevertheless, expenditure amounting to Rs.26,600,000 included in the budget of the year under review could not be recognized separately.

5.4 Procurement and Contract Process

Although an annual Procurement Plan should be prepared for the main development programmes scheduled, a Procurement Plan had not been prepared for the recognized capital expenditure of Rs.5,400,000

6. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Council from time to time. Special attention is needed in respect of the following areas of control.

Area of System and Control

Observations

(a) Accounting	Passing journal entries without an approval.
(b) Revenue Control	Failure to maintain a formal data base for the collection of contributions relating to third party motor vehicle insurance of the all insurance companies.
(c) Compensation payment process	Delays in the payment of compensation.
(d) Planning and Budgetary Control	In the preparation of a Corporate Plan, Action Plan and a Budget, failure to prepare them in a manner to achieve the objectives of the establishment of the Council.
(e) Cash Control	Failure to grant advances within the limits.