

National Council for Road Safety – 2017

The audit of financial statements of the National Council for Road Safety, comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, 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 the 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. A detailed Report in terms of Section 13(7)(a) of the Finance Act, was furnished to the Chairman of the Council on 23 May 2018.

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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the National Council for Road Safety as at 31 December 2017 and its financial performance and its 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 Accounting Deficiencies

Even though the interest income of the Treasury bill No.09 relating to the year under review amounted to Rs.6,944,578, the interest income of the year had been accounted in excess by Rs.463,650 due to it was accounted as Rs.7,408,228.

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 amounting to Rs.62,775,604 earned in the year under review, whereas action had not been taken to register for the income tax and to pay the tax.

(b) Financial Regulation 371 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and the Public Finance Circular No.03/2015 dated 14 July 2015.

In terms of the Regulation, a sub-imprest granted for a Staff Officer should be settled immediately after the completion of the purpose for which it is granted. However, the advances amounting to Rs.179,813 granted by the Council in the year 2017 for conducting programmes and other expenses, had been settled by delaying ranged 10 days to 90 days after completion of the work.

- (c) Form No.01 of Section 02 of the Gazette Notification No.1368/18 dated 24 November 2004. In providing information by NCRS Form 01 relating to the insurance value of third party, the information had not been shown as to identify the value of third party. As such, the accuracy of the sum amounting to Rs.14,079,626 remitted in the year under review was not confirmed in audit.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Council for the year under review had resulted in a surplus of Rs.44,959,713 as compared with the corresponding surplus of Rs.39,654,832 for the preceding year, thus indicating an improvement of Rs.5,304,881 in the financial results of the year under review as compared with the preceding year. Although the expenditure had increased by Rs.4,502,383 as compared with the preceding year, the contribution of insurance income increased by Rs.4,904,394 or 13 per cent as compared with the preceding year and increase in the interest income on fixed deposits and interest income on Treasury bills by Rs.4,902,871 had mainly attributed for the above improvement.

In analyzing financial results of the year under review and three preceding years, there was a continuous financial surplus of the Council. When adjusting the employees remuneration and depreciation for the non-current assets to the financial result, the contribution of the Council amounted to Rs.28,736,208 in the year 2014 had been increased continuously up to Rs.47,426,273 in the year 2017.

4. Operating Review

4.1 Performance

4.1.1 Planning

Even though an Action Plan should be prepared according to the priorities based on the Annual Budget, 03 Programmes amounting to Rs.4.6 million which had not included in the budget, had been included in the Action Plan and 02 Programmes valued at Rs.1.5 million included in the budget, had not been included in the Action Plan.

4.1.2 Performance and Review

The following observations are made.

(a) Even though 20 years had elapsed since the establishment of the National Council for Road Safety established under Motor Traffic Act, attention had not been paid on the achievement of the main objectives mentioned in the Act.

- ❖ Maintenance of a data base including all information about the roads newly added to the road system in every year and the quantity of vehicles, road accidents, property damages.
- ❖ Collection of information and conduct of researches and field surveys on related subjects and providing assistance for those researches
- ❖ Advise the Government as to the policies and projects on road safety
- ❖ Giving financial and other assistance for the activities on road safety.
- ❖ Coordinating the Government and Non-Governmental Organizations on the road safety.

(b) The matters observed in the examination of the Action Plan and the progress in the year under review are given below.

(i) **Formulation of Legal Provisions**

Even though a sum of Rs.220,000 had been allocated by the budget estimate for made legal provisions for the re-establishment of the National Council for Road Safety to a Commission, the activities such as adopting Commission Act, submitting a Cabinet memorandum, making public awareness on establishment of the Commission and publishing paper advertisements had not been performed.

(ii) **Increasing Contribution of Insurance Fund**

According to the Annual Action Plan, plans had been made to increase the insurance income of 01 per cent received by the Insurance Agencies up to 02 per cent. However, action had not been taken accordingly.

(iii) **Researches and Surveys**

Even though one of the key functions of the Action Plan of the year 2017 is to conducting researches and surveys for searching reasons caused to the fatal vehicle accidents, selecting Institutions for that purpose and take actions to minimize the accidents according to the report presented thereon among the Research and Survey Programmes, the number of fatal road accidents occurred from the year 2015 to the year 2017 had been gradually increased as 2590, 2824 and 2924 respectively. Despite a provision for Rs.500,000 had

been made by the budget of the year under review for conducting researches and surveys, it had not been utilized during the year.

(iv) **Implementation of the Projects on Road Safety**

Even though a sum of Rs.04 million had been allocated for fixing 250 hoardings for the awareness on the un protected railway crossings , identification of un protected railway stations or fixing of hoarding had not been done during the year. Details on the accidents occurred on the railway crossings during the year under review are given below.

	Number -----	Injuries -----	Deaths -----
Collision of vehicles with train	86	59	12
Collision of vehicles with railway crossing gates	439	-	-

(v) **Training and Prevention**

A sum of Rs.1,200,000 had been allocated for 03 activities under training and prevention programmes conducted for the public awareness relating to road accidents . The information on the physical and financial progress therein was not presented to audit.

(vi) **Empowerment of Media and Electric Coverage Activities Broadly**

A provision amounting to Rs.10,400,000 had been allocated for 06 activities of media and electric coverages on road protection included in the Action Plan by the Council. Only a sum of Rs.4,100,829 had been spent for the said 06 activities at the end of the year 2017 and the financial progress therein is 39 per cent.

(vii) **Maintenance of a Library with Internet Facilities**

It had been designed to maintain a library with internet facilities as one of the main duties of the National Council for Road safety established under the Motor Traffic Act. However, 20 years had elapsed from the establishment of the Council, a library had not been established.

- (c) The local plans presented under 05 items mentioned below in the Road Safety Collaboration held on 11 May 2011 by the National Council for Road Safety in line with the Decade of Action for Road Safety denominated up to the period 2011-2020 by the United Nations Organization , had not been implemented even by 31 March 2018.

- (i) Improve road safety management capacity
- (ii) Influence safety road design
- (iii) Improve vehicle safety design
- (iv) Influence road user behavior.
- (v) Post-crash care (compensation for un identified vehicle accidents and commemoration of International day of Victims)

4.2 Management Activities

The following observations are made.

- (a) The excess money could be invested on the concurrence of the Subject Minister in terms of Section 11 of the Finance Act, No.38 of 1971. Accordingly, although the Council has an ability to invest an additional amount of Rs.2.12 million in every month in the comparison of the income and expenditure of the year under review , attention had not been paid to invest excess money . Further, the approval of the National Council had been given by Council Paper No.2017-06-07-02 on 24 March 2017 for the investment of Rs. 40 million out of Rs.43 million remained in the Current Account of the Council as at 01 January 2017. The Council had failed to obtain the Treasury approval for the investment of money therein even by 10 April 2018. An income amounting to Rs.4.4 million had been deprived to the Council under an annual interest income of 11 per cent due to failure in obtaining approval within a period of one year and failure in investing for the said excess money.
- (c) Out of the 10 countries in the South Asian Region , Sri Lanka had got third place among the countries which occurred most accidents (Per Hundred thousand population , Thailand 36.2, Myanmar 20.3 , Sri Lanka 17.4) and the expected plans for the minimization of this ratio had not been planned and implemented.

4.3 Operating Activities

The following observations are made.

- (a) Even though in terms of Section 2.13.B of the Motor Traffic Act,(Amended) No.05 of 1998 , one of the main objectives of the Council is to make compensations for the persons who met with an accident by un identified vehicles , the number of compensation applications received in the year 2016 from 201 road accidents was 88 while the compensation applications received from 175 road accidents occurred in the year 2017 was 48. Even though the expenditure incurred for the public awareness programmes relating to the accidents caused by unidentified vehicles had been increased by 4,793 per cent in the year 2017 as compared with the year 2016, it was

observed that submission of compensation applications in the year 2017 had been decreased as compared with the year 2016.

- (b) The expenditure incurred from the year 2013 to the year 2017 (except 2016) by the Council for the public awareness on use of roads had been gradually increased. However, the number of fatal and serious accidents occurred from the year 2013 to the year 2017 had been increased annually and gradually from 9,060 to 11,068. Further, a gradual increase of the number of deaths caused by accidents from the year 2013 to the year 2017 from 2,362 to 3,101 had been observed.
- (c) Even though it had been elapsed a time period from 1 year and 03 months to 03 years and 03 months as at 31 March 2018 from the date of the submission of 37 compensation applications amounted to Rs.4,900,000 received caused to the vehicle accidents occurred by un identified accidents from the year 2015 to the end of the year 2016, action had not been taken to pay the compensations.
- (d) Among the compensation applications valued at Rs.6,600,000 received for 48 deaths and casualties in the year under review , only a payment of compensation amounting to Rs.700,000 had been made for 05 applications as 02 death applications and 03 casualties in the year. Accordingly, a lower percentage of 10.4 per cent had been paid as compensations as compared with the number of applications received in the year under review.

4.4 Staff Administration

Even though a period of 20 years had been elapsed from the establishment of the Council by the end of the year under review, action had not been taken to appoint a permanent staff.

5. Sustainable Development

5.1 Achievement of the Sustainable Development Goals

All Government institution should follow the Sustainable Development Goals Agenda 2030 of the United Nations and the National Council for Road Safety had aware how to act relating to the duties come under the scope of the Council relating to the year under review.

- (a) Even though the National Council for Road Safety had identified the objectives to be achieved as healthiness and well -being according to their scope on the awareness of the Agenda 2030 as mentioned above , action had not been taken to identify the targets, base data , landmarks of reach the targets as well as the indicators for measuring of the progress.

- (b) Even though existence of an accurate data base is essential for measuring of the accurate performance of certain activity, the Institution had not taken action to create an accurate data base for the measuring of achieving the Sustainable Development Goals .
- (c) The functions identified by the Institution for reaching the Sustainable Development Goals had been included in the Annual Action Plan while action had not been taken to fulfill the said activities.
- (d) It was observed that in the preparation of plans and preparedness procedure for reaching the targeted objectives was at a weak level due to failure to maintain proper coordination with the other Institutions in the preparation of reaching Sustainable Development Goals.

6. Accountability and Good Governance

6.1 Procurement and Contract Procedure

A Procurement Plan had not been prepared in terms of Guideline 4.2 of the Government Procurement Guideline of 2006.

6.2 Budgetary Control

The following observations are made.

- (a) Even though in terms of Section 8(1) of the Finance Act, No.38 of 1971, the budget should be prepared before 03 months prior to the beginning of the year of accounts and approved by the Council, the approval of the Council had not been obtained for the budget prepared for the year under review .
- (b) A sum of Rs.1,877,239 had been paid as allowances for the members of the Council in the year under review despite the provisions had not been provided by the budget.

6.3 Performance of Social Responsibilities

Loss of lives, properties as well as creation of various environmental problems by road accidents and as a result of those accidents, loss of social beneficial persons and their services occurred. As such, the cost incurred to the Government for them is increased through the responsibilities to be fulfilled by the society and it affected the economic improvement of the country. Accordingly, it was observed that the social responsibilities to be fulfilled by the Institution had not been completed adequately in the examination of the plans and performance of the year 2017 of the National Council for Road Safety ,which is established under the mission of creating a society without road accidents.

7. **Systems and Controls**

Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Chairman 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

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| (a) Collecting Revenue | Failure to verify the revenue received from the Insurance Institutions . |
| (b) Payment of Compensations | Action had not been taken to make payments without a delay. |
| (c) Planning and Budgetary Control | Failure to fulfill the performance according to an Action Plan based on Annual Budget. |
| (d) Maintenance of Books and Registers | The Multimedia Projectors and eco machines purchased by the Council had not been entered in the Register of Fixed Assets. |