

National Council for Road Safety - 2019

1.1 Opinion

The audit of the financial statements of the National Council for Road Safety for the year ended 31 December 2019 comprising the balance sheet as at 31 December 2019, statement of income, statement of changes in equity and cash flow statement for the year then ended, and notes to the 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 reported to Parliament appear in this report.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs).

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 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 determine 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 intends 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 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 Audit scope (Auditor's Responsibility for the Audit of 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 summary 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 skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit 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.
- 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 Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 auditor's 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; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 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.

1.6 Non compliance with Rules, Regulations and Management Decisions etc.

	Reference to laws, rules, regulations	Non- Compliance	Management comment	Recommendation
(a)	Public finance Circular No 01/2014 of 17 February 2014	No Procurement plan had been prepared d for the year under review as per provisions in circulars	Although Procurement plan had been prepared, it had not been submitted for the approval of the governing body.	Should act on the instructions in Circulars.
(b)	Section 8 (I) of Finance Act No 38 of 1971 and chapter 5.2.4 chapter of PED Circular /12	Although the budget should be approved by the Council 03 months prior to the commencement of the financial year, the prior approval of the Council had not been obtained for the budget estimate for the year under review.	Approval for the budget report has been obtained on 30 September 2019	As per provisions in the Finance Act No 38 of 1971, Budget should be approved prior to the commencement of the year.

1.7 Cash Management

Audit Observation	Comments of the Management	Recommendation
Even though the monthly working capital requirement of the Council had been approximately Rs.1.2 million, there was a balance of Rs.62,878, 499 in the current account of the Council as at 31 December 2019 and surplus moneys had not been made use of for an effective purpose.	That a sum of Rs.44 million had been deposited in fixed deposits on 20 February 2020.	The Management should be responsible for utilizing surplus moneys for an effective purpose.

2 Financial Review

2.1 Financial Results

According to the submitted financial statements, the operational result of the year under review was a balance of Rs.59, 465,917 as against the balance of Rs. 59,487,764 of the previous year and thus a reduction of Rs.21,847 was observed in the financial result in the year under review as against the previous year.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Rs. 7,400,000 had been paid in Compensation for the deaths and serious injuries occurred in unidentified accidents in the year under review and these payments had been made with a delay ranging from 10 to 36 months. According to the instruction manual of the scheme of paying compensation to victims of unidentified road accidents, although such payments should be made at least within 9 months.it was observed that making such payments in respect of 09 applications had been done with a delay ranging from 10 to 26 months.	The Police take about 06 months to issue its report that confirms whether it is a hit and run case.	Since the period of delay ranges from 10 to 36 months, actions should be taken to minimize the delay

- (b) Although Insurance companies had agreed to pay 02 percent of all insurance policies, the Council had not done anything to recover them. that it was agreed to grant 02 percent of third-party insurance policies and actions are being taken to obtain the written approval. Actions should be taken to quickly complete that work.

3.2 Operational Inefficiencies

Audit Observations	Comments of the management	Recommendation
<p>(a) As per the resolution adopted by the United Nations on Road Safety, to which Sri Lanka is also signatory, although it had been recommended for the formulation and implementation of a national programme on road safety by the Government, such a policy had not been prepared by the 31 December 2019.</p>	<p>This task could not be completed since activities related to transforming the National Council into a Commission are still uncompleted.</p>	<p>Sufficient amount of money should be allocated for achieving the goals of the Council.</p>
<p>(b) Although 10 projects for management of road safety capacity building and 30 activities to achieve this target have been shown, 100 per cent completions was recorded only in 11 activities related to 03 projects. The other 07 projects are being implemented in a weak way.</p>	<p>Some of the projects could not implemented due to the delay of appointing the governing body and also due to the Easter Sunday attack and the fixing of a date for the elections</p>	<p>The management should take steps to maintain performance of the council at maximum level.</p>

3.3 Underutilization of Funds

Audit Observations	Comments of the management	Recommendation
<p>The Council should earn an income of Rs 73 million according to the annual budget estimate and Rs 73 million had been allocated of which Rs 18.85 million and Rs. 54.15 million for recurrent and capital expenditure respectively. Though the Council had earned an income of Rs.74 million, only Rs.15 million had been expended for affairs of the Council. Accordingly, using funds for achieving the objectives of the Council has been at a minimum level.</p>	<p>Funds are used for general administration and minimizing of road accidents and providing compensations.</p>	<p>Should take steps to allocate funds sufficiently for achieving objectives of the Council.</p>

3.4 Human Resource Management

Audit Observations	Comments of the management	Recommendation
<p>For strengthening of the National Council for Road Safety, although it is needed to fulfil the requirement of obtaining adequate trained staff with required infrastructure facilities, this institution is functioning under the Ministry of Transport. This Council consists of 11 officers drawn from the Ministry of Transport, Department of Railways and Sri Lanka Transport Board and in addition one officer on contract basis and another casual Labourer are too serving.</p>	<p>Steps are taken to recruit a permanent staff after the Council has been made National Commission for Transport Security.</p>	<p>Steps should be taken to recruit qualified officers to carry out the functions of the Commission.</p>

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observations	Comments of the management	Recommendation
All Government Institutions should perform duties as per the United Nations 'agenda' for Sustainable Development and although the National Council for Road Safety had been aware as what steps to be taken regarding functions coming under its scope, initiation of actions has been at a weaker level.	Actions have been initiated to establish a Data Base to measure the performance.	Actions should be taken to prepare a plan and initiate it to achieve the Sustainable Development Goals.

