

Head 436 - State Ministry of Vehicle Regulation, Bus Transport Services & Train Compartments & Motor Car Industry.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Vehicle Regulation, Bus Transport Services & Train Compartments & Motor Car Industry for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended 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. The summary report containing my comments and observations on the financial statements of the Ministry was issued to the Chief Accounting Officer in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 31 August 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the State Ministry of Vehicle Regulation, Bus Transport Services & Train Compartments & Motor Car Industry as at 31 December 2020 and its financial performance, and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 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 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 and its materiality depends on the influence on economic decisions taken by users 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:

- 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 Ministry's / Department's / District Secretariat's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018. The financial statements are consistent with the preceding year

1.6 Comment on the Financial Statement

1.6.1 Cash Flow Statement

The Statement of cash Flow should be prepared in terms of format prescribed in the State Accounts Circular No: 02/2020. Following observation had been made in this regards.

Cash Flow arising from Operating Activities

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
According to the ACA-F, a sum of Rs.12,117,808,226 had been shown under the recurrent expenditure and it should be equal to the cash disbursed amount in Operating Activities but, a sum of Rs.4,471,541,055 had been shown in the cash flow statement. As a result, a sum of Rs.7,646,267,171 could be identified as a difference.	The difference arising between a sum of Rs.12,117,808,226 and sum of Rs. 4,471,541,055 is here by reconciled as follows. Recurrent expenditure shown in ACAF is Rs.12,117,808,226 which comprises the following, to show the complete financial performance of the Ministry since the Treasury has revised the budget of the year 2020 in the November.	Ministry should give special care about the Cash flow statement and entire cash flows related to summary should be verified with the detailed break downs.

1.6.2 Non-maintenance of Registers and Books

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
a. The value in the fixed assets register had not been mentioned under Assets Code of 61111.	Since no payment has been made in the last quarter of 2020 for purchase of capital assets no fixed asset register has been created under the CIGAS system.	The value of the fixed assets should be mentioned in the register.
b. Consumable goods register had not been maintained	Inventory and consumables were maintained in one register due to non-availability of staff. However at present a separate register is maintained for consumable goods.	Inventory register for consumable item should be maintained.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
a. Recurrent expenditure		
Out of the provisions made under eighteen Items of Recurrent Expenditure, ranging from 30 per cent to 100 per cent had been saved.	Travelling expenses were not incurred as expected, No major repairs were not arisen as expected to the vehicle, and non-availability of staff is the reasons.	Provisions for the Recurrent Expenditure should be utilized as completely and accurately as much as possible in terms of FR 50.

b. Capital expenditure

Out of the provisions made under seven Items of Capital Expenditure, ranging from 13 per cent 100 per cent had been saved. Furthermore, no any expenditure had been occurred under the mentioned 5 items.

In case of Minister's office the requirements have not been arisen for plant and machinery, equipment, furniture and office equipment, since the same State minister had already been existing from the year 2019 December under the Cabinet Ministry. Therefore no necessity has arisen for purchase any additional plant and machinery and office equipment for the last four months of the year 2020

Provisions for the Capital Expenditure should be utilized as completely and accurately as much as possible in terms of FR 50.

2.2 Certification of the Accounting Officer

The Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No. 19 of 2018. However, it had not been done accordingly by the Ministry.

Audit Observation

Comment of the Chief Accounting Officer

Recommendation

The Chief Accounting Officer should ensure that an effective mechanism should be made to establish an internal audit unit, but that requirement had not been met.

The Chief Accounting Officer has taken action to deploy a Chief Internal Auditor of the Cabinet Ministry on the basis of covering.

The internal audit unit should be established in terms of the circular provision and Financial Regulation.

3. Operating Review

3.1 Performance

3.1.1 Planning

Audit Observation

Comment of the Chief Accounting Officer

Recommendation

An Action Plan should be prepared for the year 2020 in terms of Public Finance Circular, No. 02/2020 dated 28 August 2020 section 12.3. However, it had not been prepared according to the format stipulated in that circular for the year under review.

Ministry of Transport has been prepared Action Plan for the year 2020.

An Action Plan should be prepared in each year in terms of Public Finance Circular to streamline the activities during the year.

3.1.2 Annual Performance Report

Audit Observation

Comment of the Chief Accounting Officer

Recommendation

The Annual Performance Report should be prepared in accordance with the Format given under Guideline No. 14 issued by the Department of Public Finance in terms of Para 10.2 of the Public Finance Circular, No. 2/2020 dated 28 August 2020. However, it had not been prepared by the Ministry.

Draft Performance Report has been prepared by now using the guide lines.

The Annual Performance Report should have been prepared in accordance with the Format stipulated under Guideline in terms of Public Finance Circular which is published by the Public Finance by yearly basis.

3.2 Procurements

Audit Observation

**Comment of the Chief
Accounting Officer**

Recommendation

Master Procurement Plan should be prepared for the year 2020 in terms of section 13.4 of Public Finance Circular, No. 02/2020 dated 28 August 2020. However, it had not been prepared according to the format stipulated in the circular for the year under review.

Master Procurement plan had been prepared in the beginning of the 2020 for the Cabinet Ministry when all the institutions assigned under purview of Cabinet Ministry of Transport Services Management.

Master Procurement Plan should be prepared in terms of Public Finance Circular which is published by the Public Finance by yearly basis for the purpose of streamline the procurements.

3.3 Assets Management

The following observations are made.

Audit Observation

**Comment of the Chief
Accounting Officer**

Recommendation

a. According to the Public Administration circular No 30/2016 dated 29 December 2016 section 3.1, fuel tests for the vehicles belongs to the Ministry should be carried out every year. However, it had not been done.

According to the circular provision, action had been made to conduct the fuel test on time.

According to the circular fuel test should be carried out every year as an internal control on vehicles using.

b. Even though, the vehicles and equipment had been transferred from the previous ministry, the value of the assets had been shown as zero according to the Non-financial assets register. And also those assets had not been taken to the non-financial assets of the Financial Statements.

According to the circular provision, action had been conduct the valuation of the assets and it will be taken in to the account soon.

Ministry should ensure that, all assets values should be taken to the Accounts and reported accordingly.

3.4 Management Weaknesses

Audit Observation

**Comment of the Chief
Accounting Officer**

Recommendation

According to the Public Administration Management Circular No. 05/2018 section (I), Citizen Charter and its monitoring system should be prepared and implemented by the ministry for giving better public service. However, it had not been prepared by the Ministry.

No any reply was given by the Ministry

Citizen Charter and its monitoring system should be prepared and implemented by the ministry to give better public service as per the Circular.

4. Sustainable Development

Audit Observation

**Comment of the Chief
Accounting Officer**

Recommendation

In order to achieve sustainable development goals in 2030 on the basis of sustainable development targets and Key Performance Indicators specified by Finance Ministry. Needful actions had to be taken to achieve targets as well as to be measured the progress.

Sustainable development goals, targets and Key Performance Indicators had been decided and applied by the Ministry during the year.

Sustainable Development goals, targets and performance indicators there on should be identified and implemented to achieve the 2030 agenda.

5. Human Resource Management

5.1 Approved Cadre, Actual Cadre and Expenditure on Personnel Emoluments

Cadre information of staff, vacancies and excess cadre, relating to the year under review are described in the following table;

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Even though the approved cadre is 75 to execute the ministry's works the actual cadre available at the ministry are 29 for the year under review. As a result, ministry had not been taken action to fulfill the following 46 vacancies during the year under review. Senior Level - 06 Tertiary Level - 01 Secondary Level - 21 Primary Level - <u>18</u> <u>46</u>	Since all vacancies belong to All Island Service Category, the ministry is not allowed to make direct recruitments to vacancies and has to depend on the Ministry of Public Services, Provincial Councils and Local Government. Therefore, we have made several requests and as a result, 40 graduate trainees were assigned.	Ministry should take action to recruit staff through the PPSC.
b) Even though, there are two internal Audit officers approved in the cadre, the adequate actions had not been taken to fill those posts.	Information of approved cadre is attached and the relevant post has been approved.	Ministry should take action to recruit staff through the PPSC.