

1. Financial statements

1.1 Opinion

The audit of the financial statements of the National Transport Medical Institute for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in equity and cash flow statement and notes to financial statements for the year then ended 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 presented in Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 qualified 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 determines 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 Institute'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 intend to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Institute 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 Institute.

1.4 Scope of the Audit (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 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 scepticism 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 Institute'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 Institute'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. However, future events or conditions may cause the Institute 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 Institute and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Accounts Receivable and Payable

1.5.1 Funds Receivable

Audit Observation	Comment of the Management	Recommendation
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A sum of Rs. 10,921,893 remained due over a period of one year from the Driving School in Kalutara as at 31 December of the year under review. However, the Institute had not brought attention on the recovery of those funds.	The sum receivable from the Driving School of Sri Lanka Transport Board in Kalutara amounted to Rs. 10,921,893 as at 2020.12.31. The said due comprised two sums of Rs. 10,381,893.48 and Rs. 540,000 being the security fees and building rent respectively. It was informed in writing that the then Chairman of Sri Lanka Transport Board had agreed on 2016.09.07 to pay 1/5 th of the security fees of the National Transport Medical Institute. Accordingly, out Institute had sent Letters dated, 2018.10.25, 2019.09.20, 2020.11.25, and 2021.11.27 to the Sri Lanka Central Transport Board Drivers Learning School and Sri Lanka Transport Board. However, no response whatsoever has so far been received in writing.	Action should be taken to expeditiously recover the dues.

1.6 Non-compliances with Laws, Rules, Regulations, and Management Decisions

Reference to Laws, Rules, and Regulations etc.	Non-compliance	Comment of the Management	Recommendation
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a) Section 3(a) of the National Transport Medical Institute Act, No. 25 of 1997.	Contrary to the said Act, the Institute had provided medical assistance and drugs worth Rs. 1,988,954 and Rs. 185,932 for the employees of Sri Lanka Transport Board and Ceylon German Technical Training Institute respectively on credit	Note commented.	The Institute should comply with the Act.

basis in the year
2020.

b) The following functions that should have been discharged in terms of Section 03 of the National Transport Medical Institute Act, No. 25 of 1997, had not been discharged.

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| (i.) | Providing medical services and assistance with respect to accidents involving all categories of motor vehicles. | Recommendations are already given on the compensations and payments on damages payable in regard of the employees of the Sri Lanka Transport Board. A file is being maintained in that connection by the Administrative Division. | Functions should be discharged in accordance with the Act. |
| (ii.) | To provide advice and special guidelines relating to the quantum of compensation or damages payable in cases of accidents. | As branch offices are maintained for each district, it is not necessary to appoint a board of medical officers. | Functions should be discharged in accordance with the Act. |
| (iii.) | To render medical advice and recommendations on industrial hygiene and industrial accidents. | Medical advice and recommendations on industrial hygiene and industrial accidents are already given | Functions should be discharged in accordance with the Act. |

relating to the clients seeking treatments from the Sri Lanka Transport Board.

- (iv.) To ensure either Standards and Functions should be discharged in accordance with the Act.
- by itself or in parameters relating to
- consultation relating to
- with other transport medicine were set
- agencies, that and prescribed
- motor vehicles and prescribed
- of all several years ago
- descriptions are under consultation
- operated or of medical
- driven only by colleges.
- persons who are
- physically and
- mentally fit and
- competent; and,
- set standards
- and prescribe
- parameters
- regarding
- transport
- medicine to be
- adopted and
- implemented by
- the relevant
- implementing
- authorities.

- c) Public Enterprises
Circular, No.
PED/12, dated 02
June 2003.
Section 9.12.

A sum of Rs. 5,628,005 had been paid in the year under review to obtain a health insurance without being approved by the Treasury.

Not commented.

The Circular should be complied with .

- d) Financial
Regulations of the
Democratic Socialist
Republic of Sri
Lanka.

Financial Regulation 371(5).	Advances should be settled prior to 31 December of the financial year in terms of Financial Regulations. However, there existed an unsettled advance of Rs. 479,080 that had been given in the year under review.	Not commented.	The Financial Regulations should be followed.
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2. Financial Review

2.1 Financial Results

The operating result of the year under review was a profit of Rs. 290,189,169 as compared to the corresponding profit of Rs. 451,929,472 in the preceding year, thus observing a deterioration of Rs. 161,740,303 in the financial result. This deterioration had mainly been attributed by the decrease in medical service income by Rs. 168,587,470.

2.2 Analysis of Trends in the Main Items of Revenue and Expenditure

- Income from the examination of light vehicles, medical fees on the renewal of licenses for heavy vehicles, laboratory test income, and income from medical camps included in the main items of revenue of the Institute had decreased by 20 per cent, 42 per cent, 49 per cent and 100 per cent respectively in the year under review as against the preceding year.
- Expenses incurred by the Institute on payments of medical leave had increased by 48 per cent in the year 2020 as compared to the year 2019.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
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The Institute conducted tests on applicants of driving licenses relating to height, weight, X-Rays, blood sugar levels, blood pressure, and eye sight in terms of the National Transport Medical Institute Act, No. 25 of 1997.	Standards and criteria have been identified for all types of tests, thereby issuing medical certificates at all the branches by following the same methodology .	Action should be taken to issue medical certificates by identifying the suitable standards and criteria.

However, action had not been taken to issue the medical certificates by identifying suitable criteria.

3.2 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
A cadre of 454 had been approved by the Department of Management Services, but the actual cadre stood at 317 as at 31 December 2020, thus indicating 74 vacancies. Furthermore, employees had been recruited on contract, casual, daily and hourly bases in addition to being recruited permanently. There existed 61 vacancies in the post of Medical Officer as at 31 December 2020.	Even at the present day, many vacancies exist in the post of Medical Officer. The reason for those vacancies is that the salary paid to them is low.	Vacancies in the staff should be filled without delay.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation	Comment of the Management	Recommendation
The annual financial statements and the draft annual report of the Statutory Institutions should be presented to the Auditor General within a period of 60 days after the end of the year of accounts in terms of Section 11 of the Finance Act, No. 38 of 1971 and Section 6.5.1 of the Public Finance Circular, No. PED/12 dated 02 June 2003.	Not replied.	The financial statements should be presented to the Auditor General within a period of 60 days after the end of the year of accounts.

4.2 Annual Action Plan

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
The Institute had not taken action to prepare the Action Plan with relevance to the expected objectives.	The Action Plan has been prepared in view of providing an efficient and satisfactory service for the clients.	The Action Plan should be prepared in accordance with the objectives.