

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the National Council for Road Safety for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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, except for the effects of the matters described in paragraph 1.5 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 2021, 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 Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

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 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

intend 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 Sub-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 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 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 Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit 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 audit report.

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 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 of the Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations relating to the Preparation of Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

The Council is 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.

Audit Observation -----	Comment of the Management -----	Recommendation -----
The Audit had not been provided with information on the computation of commission of the insurance companies with emphasis on the accuracy of 02	Action is being taken to hold discussions with all the insurance companies.	Revenue should be identified and brought to accounts properly.

per cent contribution equivalent to Rs. 51,719,745 remitted to the Council by insurance companies in terms of Gazette Extraordinary No. 1368/18 dated 24 November 2004.

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
Section 4.2.6 Public Enterprises Circular, No. PED/12, dated 02 June 2003.	Performance reports of the Council should be reviewed on quarterly, half-yearly, and annually, but no progress review meetings had been held by the Council during the year under review.	Not commented.	Progress review meetings should be held in terms of the relevant Circular provisions.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 25,998,075 as compared to the corresponding surplus of Rs. 61,863,867 for the preceding year, thus observing a decline in the financial result by Rs. 35,865,792. Due to reasons such as, amendments had been brought in on the surplus of Rs. 61,429,545 of the preceding year, and the capital expenses incurred on achieving the objectives of the Council during the year under review, surplus of the year under review had decreased by Rs. 35,865,792.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
A duration of 15 years had lapsed since the National Council had been established with the objective of establishing the	Having been amended by the Secretary to the Ministry of Transport, the said draft Act had been forwarded again to	Measures should be taken to establish the National Commission for Road Safety.

National Commission for Road Safety in terms of the Act (Cap. 203) as amended by the Motor Traffic Act, No. 05 of 1998. However, as the entity had not been established as a Commission, no legal powers had been vested in order to discharge the functions of this Council. This had hampered the appointment of a formal staff.

the Legal Draftsman on 2022. 05.23.

3.2 Operating Inefficiencies

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
a) The activities assigned through the Gazette Extraordinary, No. 1387/4 dated 04 April 2005 such as, maintenance of a database including statistics locally and internationally relating to number of vehicles, features of those vehicles, road accidents, and road safety; maintenance of a library on road safety; providing financial assistance for researches on connected subjects; liaison with international counterparts; exchange of knowledge; preparation and implementation of projects on road safety; coordination of activities among the Government and non-governmental organizations; and instructing the Government on policies and projects relating to road safety, could	This was brought to the notice at the general meeting held on 2021.08.06 through the Paper, No. 2021-16/05-09 of the Council. It was proposed at the meeting to take action in due course to prepare an agreement with similar organizations for enabling access to those data through the e-library of the National Council.	Action should be taken as planned.

not be executed even by the end of the year under review.

- b) Contributions totalling Rs. 51,719,745 had been received from the insurance companies during the year under review, and a sum of Rs. 6,375,000 therefrom had been paid as compensation representing 13 per cent of the receipts. This was attributable to the lack of awareness of the people on the possibility of getting compensation for road accidents in Sri Lanka.
- During the 06 preceding years, 353 hit-and-run accidents had been reported, and applications relating to 322 of them had been received by 2021.12.31 thus representing 91 per cent. Compensation has already been paid with respect to 268 of those applications. Furthermore, the awareness programs on being compensated that could not be conducted due to Covid-19 in 2021, have been included in the Action Plan for the year 2022.
- People should be made aware of the compensation.

3.3 Idle and Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
The equipment worth Rs. 5,875,351 used to train drives that had been purchased or received as donations from Japan in December 2018, had not been used for the intended purpose successfully. As the training activities had been halted on 21 June 2019, the said equipment remained idle.	With approval of the Secretary to the Ministry of Transport, action is being taken to provide the equipment for training schools of the Sri Lanka Transport Board.	The existing assets should be made use of efficiently by identifying the requirements.

3.4 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
A staff and infrastructure facilities sufficient for strengthening the	As per instructions of the Department of Management	Action should be taken to obtain

National Council for Road Safety Services, the reports seeking approval on a staff for should have been acquired. But, approval of staff, had been the Council. the Council had been maintained forwarded to the Ministry of with officers attached to the Transport on 2022.04.06. Ministry of Transport, Sri Lanka Railways, and Sri Lanka Transport Board along with an officer recruited on contract basis and a casual laborer.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Management	Recommendation
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<p>As for the implementation of directives given by the Public Accounts Committee of the Government, an amended budget and an Action Plan had been prepared in July 2021 and programs had been conducted to minimize accidents caused by speeding vehicles. Nevertheless, the sum of Rs. 150 million provisioned for the year 2021, had not been used for the intended purpose, and the entire provision had been saved. As such, it was observed that the amended budget and the Action Plan prepared by the Council for the year 2021, had not been made use of as an effective instrument of control. Furthermore, the Council had not made new proposals to minimize accidents through implementation of productive programmes on road safety; instead, the programs and projects that could not be implemented in the preceding</p>	<p>The scheduled programs could not be implemented owing to Covid-19 pandemic, and the Technical Evaluation Committee has prepared specifications and forwarded to the procurement committee for further action.</p>	<p>Plans should be prepared for essential works in substitution for activities that can not be executed over and over.</p>

years, had been implemented in the year 2021.

4.2 Budgetary Control

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
The budget should be approved prior to 03 months from the beginning of the year of finance in terms of Section 5.2.4 of the Public Enterprises Circular, No. PED/12 and Section 8(1) of the Finance Act, No. 38 of 1971. However, the Council had approved the budget on 13 January 2021.	Not commented.	Provisions of Circulars should be complied with.

4.3 Sustainable Development Goals

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
A Sustainable Development Plan had not been prepared in accordance with Circular, No. NP/5P/5DG/17 of the Ministry of National Policies and Economic Affairs, dated 14 August 2017.	The N.C.R.S. functions under the Ministry of Transport. Hence, the Sustainable Development Plan prepared by the Ministry of Transport contains proposals relating to the National Council for Road Safety,	Plans should be prepared after identification of sustainable development targets.