

National Transport Commission - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Transport Commission 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 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 report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2021, and of its financial performance and its 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 on the matters described in paragraph 1.5 of this report.

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 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 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 Commission'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 fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission financial reporting process.

As per Sub Section 16(1) of the National Audit Act No. 19 of 2018, the Commission 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 Commission.

1.4 Scope of 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 misstatements, 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 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 identify and assess the risks 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission'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 Commission'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 Commission 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 Commission, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Commission has complied with applicable written law, or other general or special directions issued by the governing body of the Institute.
- Whether the Commission has performed according to its powers, functions and duties; and
- Whether the resources of the Commission had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit observations on the preparation of financial statements

1.5.1 Accounting Deficiencies

Audit Observations	Comment of the Management	Recommendation
-----	-----	-----
(a) Sixteen books, each containing 25 permits, issued to the Southern Provincial Road Passenger Transport Authority for temporary bus operations in the year 2021 had not been received even by the date of audit and the revenue related thereto had not been included in the revenue.	Out of temporary permit books issued to the Southern Provincial Road Passenger Transport Authority in the year 2021, 07 books are yet to be received by the National Transport Commission and prompt action will be taken to get back those books. It takes some time and there has been a certain delay in handing over the temporary permit books used.	Revenue should be brought to account.
(b) As the institute had guaranteed for a loan of Rs. 153,000,000 given by 02 state banks to 510 bus owners at Rs.300,000 each, it had resulted in a contingent liability of similar amount to the institute. Nevertheless, that contingent liability had not been disclosed in the financial statements 2021.	It was noted down to include in the financial statements the contingent liability specified in the query.	Contingencies should be disclosed in the financial statements.

- (c) The balance of the refundable tender deposits as at 31 December of the year under review amounted to Rs. 55,608,904 and a tender register related thereto was not submitted to the Audit. Not commented. A tender deposit register should be maintained.

1.6. Accounts Receivable and Payable

1.6.1. Receivables

Audit Observations	Comment of the Management	Recommendation
A sum of Rs. 7,609,660 was due from the contracted company as the rent for the toilet system at Bastian Mawatha as at 31 December of the year under review.	Not commented.	Action should be taken to recover the dues without delay.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Section 9.1.2 of the Public Enterprise Circular No. PED 12 dated 02 June 2003.	Expenditure of Rs. 6,666,198 had been incurred for employees insurance and other welfare activities without obtaining approval of the Public Enterprises Department.	The employees of the National Transport Commission have been included in the Agrahara Insurance Scheme in accordance with the Agrahara Insurance Scheme introduced by the National Insurance Trust Fund in 20018 for the semi-government employees.	Action should be taken on the approval of the Treasury and the Public Enterprises Department in connection with the welfare schemes.
(b) Section 11 of the Finance Act No.38 of 1971 and Section 8.2.2 of the Public Enterprises Circular No.PED.12 dated 02 June 2003.	In investing surplus money, the concurrence of the Ministry of Finance and approval of the minister concerned should be obtained therefor. Nevertheless, without obtaining such approval, the Commission had invested Rs. 44,842,369 in fixed deposits and Rs. 15,645,319 in Treasury	It is kindly informed that a request dated 07.02.2019 has been forwarded to the Ministry of Transport and Civil Aviation to obtain Treasury approval to temporarily invest money and a reply to that has not so far been received.	Investments should be made under the relevant approval.

Bills on the approval of the Board of Directors as at 31 December 2021. Further, a sum of Rs. 379,238,858 had been invested in short term investments as at that date.

- | | | | |
|--|--|--|--|
| (d) Section 8.3.9 of the Public Enterprises Circular No. PED 12 dated 02 June 2003 | A Management Assistant was released to the service of the Ministry of Transport from 12 October 2020 to 18 August 2021. She had been paid sums totaling Rs. 719,322 comprising Rs. 584,842 as salary, Rs. 104,480 as medical leave reimbursement and Rs. 30,000 as bonus for that period. However, any approved letter indicating the approval given for her releasing to the Ministry or payment of allowances including salary was not furnished to audit. | The relevant officer had been released to the assistant staff of the Ministry of Transport with effect from 17.08.2021 and she had again reported to the service in the National Transport Commission. The Ministry of Transport has been informed in writing to take necessary action to reimburse salaries and allowances paid by the National Transport Commission. | Action should be taken in accordance with the relevant circular. |
|--|--|--|--|

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs. 106,295,655 and the corresponding deficit in the preceding year amounted to Rs. 24,743,349. Therefore a deterioration amounting to Rs. 81,552,306 of the financial result was observed. This deterioration was mainly due to the decrease of Rs. 104,639,191 in revenue of routes permit tenders.

2.2 Trend Analysis of major Income and Expenditure items

During the year 2021, routes permit revenue and routes permit tender revenue included in the commission's main revenue had decreased by 1,900 per cent and 385 per cent respectively compared to the previous year.

2.3 Ratio Analysis

- The current ratio of the year under review is 0.31 and it was observed as an adverse situation due to the ratio being comparatively higher than the previous year ratio 0.27.
- It was observed that the net profit ratio for the year under review was 108 per cent lower than the previous year.

3. Operating Review

3.1 Management Inefficiencies

Audit Observations	Comment of the Management	Recommendation
a) An additional expenditure of Rs. 3,530,745 had been incurred than the amount recovered from the bus owners for the maintenance of the G.I.S system.	The objective of this project is not to earn income, but to provide safe and efficient transport service to improve the quality of the transport sector.	Adequate revenue should be obtained for this service maintenance.
b) The Commission does not duly maintain a common store and the goods are not entered in the Goods Receiving Note after their receipt to the stores. Even though entries were made in the relevant registers, action had not been taken to maintain registers by daily balancing the receipt and issuance of goods.	Not commented.	Relevant registers should be maintained and entries should be made.
c) The balance of the refundable tender deposits as at 31 December of the year under review amounted to Rs. 55,608,904 and a tender deposit register related thereto had not been maintained.	Not commented.	A tender deposit register should be maintained.

3.2. Underutilization of Funds

Audit Observations

Even though the Commission had allocated Rs.8.6 million for the introduction of electronic pre-paid cards, and Rs.15 million to install solar cells for generating electricity to meet the electricity requirement of the office premises, those programmes had not been implemented.

Comment of the Management

Not commented.

Recommendation

The annual budgeted activities should be implemented with a specific timeframe.

3.3. Human Resource Management

Audit Observations	Comment of the Management	Recommendation
(a) The approved cadre of the Commission is 219 and the actual cadre as at 31 December 2021 was 178. Of the above cadre, 170 staff members were serving on permanent basis while 07 on contract basis, and the number of vacancies was 31. However, the Commission had not taken steps to fill those vacancies.	Applications have been called for the vacant posts. As the Government has temporarily suspended all recruitments, it has not been possible to fill relevant vacancies.	Action should be taken to fill vacancies in the approved cadre.
(b) Seven officers have been recruited on contract basis for a period of 04 years since 2018.	Written requests have been made to the Director General of Management Services through the recommendations of the Secretary to the Ministry of Transport to confirm these employees.	Officers should be recruited on permanent basis.

3.4. Vehicle System Management

Audit Observations	Comment of the Management	Recommendation
There were 03 vehicles worth Rs. 2,952,000, Rs. 1,730,900 and Rs. 1,000,000 respectively in the premises for more than a period of 05 years and action had not been taken either to dispose of or repair those vehicles.	It has been planned to carry out the disposal by a public auction in due course.	Vehicles should be disposed of according to the government circulars.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observations	Comment of the Management	Recommendation
Variations ranging from 16 per cent to 73 per cent were observed when comparing budgeted income with actual income, and variations ranging from 30 per cent to 71 per cent were observed when comparing budgeted expenditure with the actual expenditure. Accordingly, it was observed that the budget had not been made use of as an effective instrument in management control.	Activities could not be completed as per the specific targets due to prevailing Corona pandemic in the country and it resulted in these variations. It was noted down to pay attention on minimizing variations in the ensuing year.	The Budget should be made use of as an effective instrument in management control.