

National Transport Medical Institute - 2021

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the National Transport Medical Institute for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income, 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 Institute 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 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 Responsibility 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The land with the building in which the Anuradhapura Branch Office is operated, had been leased out on long term basis since the year 2016 by the Divisional Secretariat and it had been informed that a lease amount of Rs.14,616,000 should be paid to the Divisional Secretariat due to occupancy of the said land. However, necessary disclosures on the amount payable had not been made in the financial statements.	As obtaining a land only for a period of 30 years by paying a sum of Rs.14,616,000 for the unoccupied land and the building is not effective to the Institute and the construction and renting of buildings by public institutions had been discontinued by the Ministry of Finance as per the National Budget Circular No.03/2022 of 26.04.2022, action has been taken to brief the Land Commissioner General thereon as per the decision of the Board of Directors.	Disclosures on liabilities should be made in the financial statements and provision be made for liabilities that can be determined.
(b) A difference of Rs.794,593 was observed between payable balances in 16 Ledger Accounts	Measures have been taken to rectify the said accounting error	Balances between the financial statements and schedules should

indicated in the statement of financial position of the year under review and balances according to the financial statements and balances as per the schedule submitted.

during the year 2022 and these adjustments have been already made through relevant double entries.

- (c) A number of 122 items of assets, of which the value was not mentioned and remained in the Head Office and a branch office, had not been submitted for verification in the year under review. As such, the durability of assets could not be verified in Audit.
- A number of 122 items not verified in the Head Office and branches have been disposed of by now and eliminated from the financial statements as well and action will be taken to eliminate from the Register of Assets.
- All assets should be verified.

1.6 Accounts Payable and Receivable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
Thirteen balances valued at Rs.5,622,549 had remained over a period of 06 years in accounts receivable to the Institute by 31 December of the year under review and action had not been taken to recover the said amount so far.	Accounts receivable include money recoverable from the Sri Lanka Transport Board. As such, the Sri Lanka Transport Board has been informed thereon in writing and they have informed in writing by a letter dated 30.03.2022 that such amount is not available in their account.	Action should be taken to recover receivables.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
There were 22 payable balances valued at a total of Rs.8,688,684 in the year under review and out	The current position of the revised payable balances is as follows.	Action should be taken to settle payable balances on due date

of that, payable balances valued at Rs.4,451,125 had lapsed a period of 06 years. However, the Institute had not drawn its attention towards the settlement of them.

A documentary confirmation was obtained that payable balances valued at Rs.2,411,933 and Rs.1,470,832 are not the balances payable by the Sri Lanka Transport Board. Moreover, the guarantee period of balances given as a security for a performance security is not expired yet.

1.7 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 11 of Finance Act, No. 38 of 1971 and Section 8.2.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003	In the investment of moneys by the Institute, approval of the Minister of Finance and the relevant Minister should be obtained. However, a sum of Rs.106,700,000 had been invested only on the approval of the Chairman.	The income of our Institute will be invested as fixed deposits in state banks, Treasury Bills and as REPO. Investments are made accordingly at the highest interest rate by summoning interest rates from institutions such as the Bank of Ceylon, People's Bank and National Savings Bank.	Action should be taken to obtain relevant approvals thereon.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.
Financial Regulation 395(c). Bank Reconciliation Statements as at the end of each month should be prepared before the 15th of following month. However, the Bank Reconciliation Statement in December of the year under review relating to one bank account had been prepared with a delay of 06 months. Bank Reconciliation Statements have been prepared up to March 2022. Bank Reconciliation Statements should be prepared on due date.
- (c) Public Enterprises Circular, No. PED/12, dated 02 June 2003 Section 9.12 A sum of Rs.6,794,402 had been paid in the year under review to obtain health insurance coverage without obtaining approval from the Treasury as per the Circular. The said insurance coverage is a welfare facility provided to employees since the year 2009. A sum of Rs.6,794,402 had been paid as health insurance coverage for the year 2021 subject to the approval of the Board of Directors. Action should be taken as per the relevant Circular.
- (d) Procurement Guidelines 2006 Guideline 4.2.1 (a) Even though the Procurement Entity should prepare the Master Procurement Approval has been received as per Guideline 4.2.1 Action should be taken in terms of Procurement Guidelines.

Plan, a detailed Procurement Plan had not been prepared by the Institute. (a). A Public Address System has been purchased. Several branches were modernized during the year 2021 and Public Address Systems were purchased in several instances when required.

Guideline 4.2.1 (b) Procurement activities envisaged at least for a period of 03 years should be listed in the Master Procurement Plan and as per the Guideline (e), the Master Procurement Plan should be regularly updated at intervals not exceeding six months. However, the Institute had not taken action accordingly. Even though the Procurement Plan had not been prepared for a period of three years, it had been prepared for a period of one year. Action will be taken to update the Procurement Plan within a period of 06 months in this year. Action should be taken in terms of Procurement Guidelines.

2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a profit of Rs.123,542,486 as compared with the corresponding profit of Rs.290,189,169 in the preceding year, thus observing a deterioration of Rs.166,646,683 in the financial result. The decrease in the income had mainly attributed to the said deterioration.

2.2 Trend Analysis of Major Income and Expenditure Items

Income from the examination of medical certificates for light vehicle licenses and income from medical fees on the renewal of licenses for heavy vehicles, included in the main items of revenue of the Institute had decreased by 48 per cent and 38 per cent respectively in the year under review as compared with the preceding year.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
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A sum of Rs.24,684,264 had been spent by the Institute in the year under review alone for the purchase of blood test kits required for a project of testing drugs in urine of drivers with a view to preventing motor vehicle accidents occurred due to influence of drugs. However, this test had been carried out only up to 10 March 2022 from 01 October 2021 and this project had been abandoned halfway due to lack of test kits. As such, the expenditure incurred for the project had become fruitless.	As it was observed that there is an increase in the number of drivers under the influence of drugs in the country, the said test was implemented as a pilot project.	Action should be taken in compliance with objectives of the Institute.

3.2 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
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A cadre of 454 had been approved by the Department of Management Services, for 33 posts of the Institute on 23 November 2017 and 15 May 2018. However, 375 and 52 officers had been deployed in the service of the Institute on permanent and contract basis respectively by 31 December 2021, thus observing 27 vacancies in the Institute.	The cadre of the Institute as at 31.12.2021 stood at 375. Moreover, vacancies as at that date stood at 77 and out of that, 61 are Medical Officers.	Action should be taken to recruit officers for vacant posts.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation	Comments of the Management	Recommendation
<p>The annual financial statements and the draft annual report of the Statutory Institutions should be presented to the Auditor General within 60 days after the close of the financial year in terms of Section 6.5.1 of the Public Enterprises Circular, No. PED/12 dated 02 June 2003. However, the financial statements for the year 2021 had been presented to Audit on 07 April 2022 with a delay of 01 month and 07 days. Moreover, the draft annual report had not been presented along with the financial statements.</p>	<p>The financial statements for the year 2021 had been handed over to the National Audit Office in writing on 07.04.2022.</p>	<p>The financial statements should be presented on due date as per circulars.</p>