

National Transport Commission - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Transport Commission for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 2022, 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non-Compliance with the reference to particular Standard	Comment of the Management	Recommendation
Even though as at end of the year under review Rs. 30,502,154 had been incurred for internal computer software system which is currently being used by the commission, had been shown in the accounts as work in progress without taking action to account the relevant computer software system as property and plant and to write off its cost within the useful life time in terms of Sri Lanka Public Sector Accounting Standard No. 20	The work of this project was completed on 19.04.2023.	According to Sri Lanka Public Sector Accounting Standard No. 20, accounting for intangible assets should be done.

1.5.2 Accounting Deficiencies

Audit Observations	Comment of the Management	Recommendation
(a) The tender deposit balance to be refunded as at 31 December of the year under review was Rs.51,793,404 and due to non-maintenance of a tender deposit register, the amount could not be ascertained during the audit.	A computerized tender deposit ledger and detailed records are maintained in the accounts department.	A tender deposit register should be maintained in respect of tender deposits to be refunded.

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| (b) | Even though according to the accounting policy of the institute , 20 percent depreciation should be made annually for motor vehicles, the motor vehicles amounting to Rs.6,069,363 were not depreciated as at 31 December of t he year under review. | Differences were identified and noted to correct errors. | Assets should be depreciated according to the company's asset depreciation policy. |
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1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a)Section 28 of National Transport Commission Act, No. 37 of 1991	Although a passenger service permit given to a certain person under section 24 should not be transferable to another person, the right of 33 passenger permit services had been transferred during the year under review.	The Commission has recognized that this section needs to be amended and has taken steps to amend this section.	The transfer of ownership of 33 passenger service permits outside the provisions of the Act should be investigated and necessary action should be taken against the officials responsible for the same.
(b) Section II of the Finance Act, No. 38 of 1971the Public Enterprises Circular No.PED.12 dated 02 June 2003.	Although the concurrence of the Minister of Finance and the approval of the relevant Minister should be obtained while investing the surplus funds, without obtaining such approval, on the approval of the Board of Directors, Rs. 641,978,981 short term investments had been made by the Commission during the year 2022.	Treasury approval has been sought to invest the money.	Necessary action should be taken against the officials who have acted outside the provisions of the Finance Act and they should take care to act according to the provisions of the Finance Act in the future.

<p>(c) Financial Regulation 1645 (a) of Financial Regulations of Democratic Socialist Republic of Sri Lanka</p>	<p>Although the officer in charge of vehicles should keep a vehicle log book for each vehicle under his charge and regularly enter all the entries in it, log books were not maintained for the vehicles of the commission.</p>	<p>It is Noted that to maintain the log books</p>	<p>Necessary action should be taken against the officers who have acted outside the Financial Regulation and care should be taken to act according to the Financial Regulation in the future.</p>
<p>(d)Section 6.8 of Public Enterprises Circular No. PED 01 / 2021 of 16 November 2021</p>	<p>Although the Public enterprises should not bear the expenses of the relevant line ministry, Rs. 423,378 had been incurred by the commission , for a workshop conducted by the Ministry for Rs. 198,250 and for security services at the minister's official residence of Rs. 225,128 .</p>	<p>Written and verbal approval of the Secretary, Ministry of Transport has been obtained.</p>	<p>Necessary measures should be taken against the officials who have acted outside the provisions of the circular and care should be taken to act according to the provisions of the circular in the future.</p>

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 188,183,231 and the corresponding deficit in the preceding year amounted to Rs. 106,376,247. Therefore a growth amounting to Rs. 294,559,478 of the financial result was observed. This growth was mainly due to the increase of Rs. 182,262,172 in revenue of routes permit .

2.2 Trend Analysis of major Income and Expenditure items

During the year 2022, routes permit tender revenue included in the commission's main revenue had increased by 615 percent compared to the previous year.

2.3 Ratio Analysis

It was observed that the current ratio of the year under review is 3.03 which was lower than the previous year's ratio of 3.25.

3. Operating Review
3.1 Management Inefficiencies

Audit Observations	Comment of the Management	Recommendation
(a) Until now, action had not been taken by the commission to prepare a regular system for issuing passenger service permits to provide inter-provincial bus services and amend the National Transport Commission Act accordingly.	The work related to the amendment of the Act is currently being done.	The Commission should look into the reasons for the delay in the amendment of the Act and act promptly to amend the Act.
(b) The Gami Sariya project was started from the year 2005 with the aim of providing bus services on unprofitable routes, and by the end of the year 2022, only 11 projects were in operation for which Rs. 1,287,864 had been spent during the year under review. Even though according to the annual action plan, to maintain the existing services and to start 40 new services Rs. 14.890 million had been allocated, any new service had not been started by the commission.	The Board of Directors of the Commission has approved the temporary suspension of the initiation of new services for students as the funds were not sufficient to increase the subsidy amount.	To properly identify needs and funding situations and allocate funds to projects and allocate funds accurately. Care should also be taken to spend for the tasks.
(c) Although the Commission had received 500 GPS devices under the Sahasara Project of the Ministry of Transport on 26 November 2021, to be installed in Galle Road Corridor buses, the total number of GPS devices installed was 186 as at 16 February 2023, and arrangements had not been made by the commission to install the remaining 314 equipments in the buses, even though these GPS devices are almost out of warranty.	Currently, these devices are being installed in the buses.	Arrangements for the installation of GPS equipment in order to use the relevant equipment promptly and even when the warranty period of the equipment is about to expire, responsible officials should be dealt with.
(d) Even though Rs. 34.5 million had been allocated to maintain Nisi Sariya services and to implement 100 new projects during the year under review, even a single new service had not been initiated by the Commission.	The Board of Directors of the Commission has approved the temporary suspension of the initiation of new services for students as the funds were not sufficient to increase the subsidy amount.	To properly identify needs and funding situations and allocate funds to projects and allocate funds accurately. Care should also be taken to spend for the tasks.

3.2. Underutilization of Funds

Audit Observation	Comment of the Management	Recommendation
Even though according to the action plan for the year 2022 of the commission , Rs. 5,000,000 had been allocated for 14 road demand and service quality surveys without proper evaluation, out of which 17 surveys had been conducted incurring Rs.2,568,180 . Out of the remaining amount Rs. 2,621,665 had been spent for operation and maintenance of bus terminals which not belong to the relevant provision	It was noted to pay attention in this regard while allocating money for future projects.	To properly identify needs and allocate funds to projects and allocate funds accurately. Care should also be taken to spend for the tasks.

3.3. Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
A vehicle owned to the institution had been repaired at a cost of 283,135 and this vehicle had been parked within the premises of the institution without using was decaying.	Repairs were not carried out as per the circulars issued regarding control of public expenditure.	Prompt action should be taken to properly utilize available assets