

National Transport Medical Institute - 2022

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 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 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 2022, 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non-Compliance with the reference to particular Standard	Comment of the Management	Recommendation
Even though according to Section 48 of Public Sector Accounting Standard No. 01, assets and liabilities should not be shown in the financial statements off setting each other, the bank balances of Rs. 13,883,347 debit and credit balances had been set off and shown in the financial statements.	Balance of the account number 228,044 is Rs. 311,840,780.73 as at 2022/12. Although there is a balance of Rs.13,883,347 in the cash book, the bank does not maintain an overdraft balance in the current account. Our company invests surplus money in short-term Repos and earns interest.	Action should be taken according to Sri Lanka Public Sector Accounting Standard .

1.5.2 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
(a) Interest receivable on fixed deposits during the year under review had been overstated by Rs. 6,981,370.	Action will be taken to correct in the year 2023.	Investment interest receivable should be accounted correctly.
(b) As per the depreciation policy of the Institute, provision for depreciation amounting to Rs.271,080 had not been made in relation to the building of Rs.10,843,201 capitalized during the year under review.	Accumulated depreciation understated will be corrected in the year 2023.	Assets should be properly documented and depreciation calculations should be done.

1.5.3 Advances

Audit Observation	Comment of the Management	Recommendation
During the year under review Rs. 31,437,501 had been paid for the private sector buildings which were obtained on rent basis without using government buildings or constructing permanent buildings for setting up branch offices of the institute.	Arrangements will be made to acquire government buildings in future.	Action should be taken according to the regulations of the government circular.

1.6 Accounts Payable and Receivable

1.6.1 Receivables

Audit Observation	Comment of the Management	Recommendation
Even though as per the financial statements of the year under review, Rs. 9,190,238 had been shown as receivables from the Sri Lanka Transport Board, but the balance due to the National Transport Medical Institute had not been shown in the financial statements of the Sri Lanka Transport Board.	Arrangements are being made to settle this receivable in the future.	Action should be taken to recover the receivable.

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	Although the institution should obtain the approval of the Minister of Finance while investing money, an amount of Rs. 1,513,150,579 had been invested in fixed deposits and treasury bills without obtaining such approval.	This amount of Rs. 1,513,150,579 invested in fixed deposits and treasury bills are not new investments and investments are made on the approval of the Board of Directors.	Action should be taken as per Finance Act.

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| (b) | National Budget Circular No. 03/2022 dated 26.04.2022 issued by the Ministry of Finance | Subject to the control of public expenditure, even though the loan facilities given to staff officers under the advance accounts of government officers have been suspended until the end of 2022, contrary to that, Rs. 464,328 had been paid as distress loans for the staff officers of the institute in the year 2022. | Arrangement had been made to correct from the year 2023. | Action should be taken as per circular. |
| (c) | Public Administration Circular No. 21/2015 and dated 19 August 2015 and Amended subsections 13.2 and 13.5 of Chapter xxiv of the Establishment Code | Although for any annual event at the discretion of the officer Rs. 10,000 could be given as an advance, Rs. 30,000 each had been paid as festival advances for 228 employees of the Medical Institute exceeding that limit. | On the approval of the Board of Directors, the advance payment had been made to the employees of the Institute | Action should be taken as per circular and Establishment Code |
| (d) | Section 5.4.8 of Procurement Guidelines | A performance security of 10 percent had not been obtained while getting light and heavy vehicle medical forms of Rs. 31,415,000 required for the institute's activities. | So far, a performance guarantee has been obtained until the date of termination of the agreement, i.e. 2023.08.06. | 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.422,911,481 as compared with the corresponding profit of Rs. 123,542,486 in the preceding year, thus observing a growth of Rs.299,368,995 in the financial result. This growth was mainly due to the increase in the medical service charges issued by the company to the drivers of light vehicles and heavy vehicles.

2.2 Trend Analysis of Major Income and Expenditure Items

During the year under review, compared to the previous year, the revenue of light vehicle inspection included in the main income of the Medical Institute had increased by 87 percent and the revenue of heavy vehicle renewal medical fees had increased by 25 percent.

2.3 Ratio Analysis

Current assets ratio during the year under review 4.08, while the previous year's ratio was 2.1. It was observed that the profit ratio during the year under review had increased by 19 percent compared to the previous year.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
During the year under review, an amount of Rs.33,499,620 had been invested in fixed deposits at an interest rate of 5 to 12 percent and Rs.35,000,000 had been invested in treasury bills at an interest rate of 9.85 percent and management was not paying attention in the current market environment, to make investments with a higher interest rate.	All matured fixed deposits of 140 million are offered at an interest rate of more than 20%.	Investments should be done to get more returns.

3.2 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
Although 75 doctors were approved by the Department of Management Services for the work of the institute, only 10 doctors were recruited permanently and 37 doctors on contract basis and 98 doctors on part-time basis had been recruited for 20 branch offices, without recruiting a single doctor on permanent basis.	There are few permanent medical staff in the institution. Therefore, medical personnel are recruited on contract basis and on daily hourly basis and the service is maintained continuously so that the clients are not inconvenienced.	Approved staff recruitment should be done as per the Scheme of Recruitment.