

National Transport Medical Institute - 2023

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 2023 comprising the statement of financial position as at 31 December 2023 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 reported 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 Institute as at 31 December 2023, 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 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 intends 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 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 Audit Scope (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 skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit 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 Company'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 Company'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 Company 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 the Sri Lanka Public Sector Accounting Standards

	Non-compliance with the reference to particular Standard	Management Comments	Recommendation
(a)	Although current and non-current assets should be classified separately on the face of the statement of financial position according to paragraphs 76-87 of Public Sector Accounting Standard No. 01 for the Presentation of Financial Statements, distress loan receivable amounting to Rs.51,953,115 had been shown under current assets instead of showing as non-current assets according to the receivable period.	I will separate disaster loans into current and non-current assets in the financial statements in the year 2024.	It should be separated as current assets and non-current assets according to the Accounting Standard.
(b)	Assets worth Rs.55,628,433 which were fully depreciated had not been dealt with as per Sri Lanka Accounting Standards No. 07.	The institute currently has assets cost of Rs.55,628,433 with a net zero value under property, plant and equipment in the financial statements. In the future, all these assets are expected to be revalued according to Accounting Standard No. 07 and included in the financial statements.	Assets should be revalued and accounted for in accordance with the accounting standard.

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| (c) | Two buildings had been acquired for 3 years and 2 buildings for 5 years under lease agreements. But the repair costs of Rs. 4,627,108 paid for that had been capitalized and due to the capitalized costs not being written off during the lease period of 40 years of the buildings, depreciation was understated by Rs.929,351 during the year under review and due to this, the profit was overstated. | Taking into account the lease period of the Anuradhapura, Kalutara, Matara and Trincomalee branches, I will adjust the depreciated amount of Rs.929,351 to the accumulated profit of the 2024 financial statement. | Arrangements should be made to account for the leased property accounts as per the accounting standard. |
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1.5.2 Accounting Deficiencies

Audit Observation	Management Comments	Recommendation
Although the withholding tax charged by the bank for fixed deposit interest amounting to Rs.8,740,974 should be debited to the withholding tax receivable account and credited to the fixed deposit interest account, the fixed deposit interest account of the institution had been debited and the withholding tax account had been credited. Accordingly, interest income and withholding tax on interest were understated by that amount.	This error had been occurred while accounting for the withholding tax and the income of the year has decreased by an amount of Rs.8,740,974, so adjustments will be made to the accumulated profit of the year 2024.	Withholding tax on interest should be disclosed in the financial statements.

1.6 Accounts Receivables and Payables

1.6.1 Accounts Receivables

Audit Observation	Management Comments	Recommendation
Out of the balance of Rs.14,233,512 due as at 31 December 2023, the outstanding balance for 2 to 5 years was Rs.2,348,821 and the balance for more than 5 years was Rs.10,546,421, but the related balances had not been recovered.	Discussions are going on between the Sri Lanka Transport Board in this regard, and a decision will be taken in the near future regarding the recovery of money.	Arrangements should be made to recover the amount due.

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

	Reference to Laws, Rules and Regulations	Non-Compliance	Management Comments	Recommendation
(a)	Section 3(b) of the National Transport Medical Institute Act No. 25 of 1997	According to the task specified in the Act, drivers and riders of all types of motor vehicles, including heavy vehicles, are checked and certificates of physical and mental fitness are given to those drivers and riders, clients with blood sugar levels above 200 also passed the medical examination and the system did not record the vision level of the clients in the medical examination report.	The standards and medical criteria required for conducting the medical examinations of the clients have been identified from the beginning, and up to now I will update the standards and criteria with the recommendations of the specialist medical schools located in Sri Lanka related to their respective fields.	The standards and criteria should be updated.
(b)	Establishment Code of Democratic Socialist Republic of Sri Lanka			
i.	Paragraph 10 of Chapter II	Although an officer who is recruited to a post should submit to the medical examination as per format health 169, the proposed medical certificate was given for the officers of the institution to obtain the motor vehicle license without obtaining the report. Board of Directors Decision No. 2021/67 also approved the use of a medical form similar to that used by governments and corporations, but action had not been taken as per.	Although it had been approved by the board of directors, the approval of the former chairman was not obtained regarding the use of new medical forms. But this matter will be discussed again and a decision will be taken about the medical certificate in the future.	Arrangements should be made to submit medical reports as per the relevant section.

ii.	Chapter VI Paragraph 2.1	When an officer is appointed to a position permanently under probation or on contract, a conduct note sheet should be prepared immediately for that officer, but the conduct notes had not included in the 6 personal files checked in the institution.	We will prepare an appropriate form for the conduct note sheet for the institution and will give instructions to include it in the files in the future.	Arrangements should be made to attach and maintain conduct notes as per the relevant section.
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(c) Procurement Guidelines

Section 5.4.10	Although a performance guarantee of not less than five percent of the estimated contract amount shall be obtained to protect the procurement entity in case of breach of contract by the contractor under this clause, a performance guarantee was not obtained for the provision of security services for the year 2022/2023.	A performance guarantee has been obtained for the year 2020/2021 only.	Arrangements should be made to obtain a performance guarantee as per the Procurement Guidelines.
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2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a profit of Rs. 957,640,668 and the corresponding profit in the preceding year amounted to Rs. 422,911,482. Therefore an improvement amounting to Rs. 534,729,186 of the financial result was observed. The reason for the improvement is an increase in main medical service income by Rs.418,584,701.

2.2 Trend Analysis of major Income and Expenditure items

When compared to the previous year, the revenue of light vehicle inspection/renewal included in the main income of the medical institute had increased by 68 percent, the revenue of heavy vehicle inspection by 102 percent and the revenue of heavy vehicle renewal by 42 percent in the year under review.

2.3 Ratio Analysis

The current asset ratio of the year under review is 0.31, while the current asset ratio of the previous year was 4.08. The current ratio of the year had decreased due to the remittance of Rs.700 million to the treasury during the year under review. The profit ratio of the year under review had increased by 57 percent compared to the previous year.

3. Operational Review
3.1 Procurement Management

Audit Observation	Management Comments	Recommendation
<p>An agreement was entered into with a private company on 09 February 2022 to construct the first floor of the driver and security restroom building of the Nugegoda head office in 180 days at a value of Rs. 6,629,903 including VAT. Although Rs.7,309,432 had been paid to the contractor by the year 2024, the construction work had not been completed.</p>	<p>Management dealt with this on many occasions and several board papers were forwarded to the board. Also, we have to perform our duties according to the public expenditure management circulars issued by the government from time to time. Due to the above facts, it has not been possible to complete this work according to the procurement plan related to the year 2023.</p>	<p>Contract agreements and board decisions should be followed.</p>

3.2 Human Resource Management

Audit Observation	Management Comments	Recommendation
<p>The institution had not been able to recruit 67 doctors and 17 administrative officers since the institution had not received the approval for the recruitment procedure related to the recruitment of doctors, administrative officers and data analysts.</p>	<p>There are few permanent medical staff in the institution. Although we have been trying to recruit permanent medical officers for a long time by publishing advertisements in newspapers, medical officers are reluctant to come to work in the institute permanently because the allowances paid to medical officers by our institution are less than the salaries and allowances of government medical officers. Therefore, medical personnel are hired on a contract basis and on a daily hourly basis and the service is maintained continuously so that the clients are not inconvenienced.</p> <p>The recruitment procedure for the post of Administrative Officer has been submitted for approval.</p>	<p>Vacancies shall be filled as per approved recruitment procedure.</p>