

National Transport Commission - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Transport Commission 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 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 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 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 skepticism 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	Management Comments	Recommendation
(a) Even though the current and non-current assets should be shown separately in the face of the statement of financial position, in compliance with the paragraphs 76 - 87 in the Standard of Presentation of Financial Statements of Public Sector Accounting Standard No. 01 , the receivable distress loan of Rs.30,685,625 of the Commission had been indicated only under current assets instead of showing such loan balance as non-current assets on due date of receipt.	As stated in the draft Auditor General's report, I would like to kindly mention that in the preparation of financial statements for the year 2024, in accordance with the Public Sector Accounting Standard 01, disaster loans receivable will be separated into current and non-current assets.	Current and non-current assets should be shown separately according to the Accounting Standard.
(b) Action had not been taken in accordance with Sri Lanka Public Sector Accounting Standard No. 07 in relation to Rs. 172,124,805 worth of totally depreciated assets .	I kindly state that the Commission will take necessary steps to review the useful life of the Nil Net Worth Assets currently in use as indicated in the draft report.	Assets that can be reused should be revalued as per the accounting standard.

1.5 Document Evidences not made available for Audit

Item	Amount Rs.	Evidence not available	Management Comments	Recommendation
Tender Deposit	94,727,804	Register of Tender Deposit	I kindly mention that the necessary steps will be taken to prepare and submit the schedule in such a way that the tenders to be refunded are balanced against the deposit value while submitting the financial statements for the year 2024.	A Tender Deposit register should be maintained.

1.6 Accounts Receivables and Payables

1.6.1 Accounts Receivable

Audit Observation	Management Comments	Recommendation
Even though the amount receivable for the maintenance of Vavuniya toilet system from the year 2021 to the year 2023 was Rs. 1,536,150, action had not been taken to recover this amount..	For the maintenance of Vavuniya toilet system from the year 2021 to the year 2023, the unpaid value of Rs.1,536,150.00 will be deducted from the bid security amount of Rs.1,512,000.00 held by the said organization.	Action should be taken to recover the receivables promptly as per the agreement.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comments	Recommendation	
(a) National Transport Commission Act, No. 37 of 1991	Section 18	Although the Commission has the authority to issue passenger service permits for buses to transport passengers between two or more provinces, the Road Passenger Transport Authority had also issued 5 permits for inter-provincial	The Board of Directors has approved the issuance of passenger service permits issued by the Road Passenger Transport Authority for running on inter-provincial routes	Passenger service permits should be issued and transferred as per the Act.

routes, but the Commission had not taken any action in this regard. through the National Transport Commission.

(b) Procurement Guideline

Section 5.4.8 The contract for the renovation of 80 dilapidated poles at Bastian Mawatha Bus Terminal had been awarded to a private company for an amount of Rs. 1,268,000 and a performance bond for 5 percent had not been submitted. The contractor himself neglected to obtain performance bond for the work. However, I would like to further mention that in the future, necessary steps will be taken to take care of such matters. Performance bond should be obtained as per the Procurement Guidelines.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 492,915,436 and the corresponding surplus in the preceding year amounted to Rs. 181,260,633. Therefore an improvement amounting to Rs. 311,654,803 of the financial result was observed. The main reason for the improvement is an increase in revenue of routes permit by Rs.332,392,537.

2.2 Trend Analysis of major Income and Expenditure items

During the year 2023, routes permit tender revenue included in the commission's main revenue had increased by 150 percent compared to the previous year.

2.3 Ratio Analysis

It was observed that the current ratio of the year under review is 2.22 which was lower than the previous year's ratio of 2.99

3. Operating Review

3.1 Management Inefficiencies

	Audit Observations	Management Comments	Recommendation
(a)	The renewal income for 272 road permits related to passenger service permits, the income for 27 tender permits and the amount of penalty thereon amounted to Rs.45,889,440	Please note that while preparing the financial statements for the year 2024, the relevant disclosures will be made as	Action should be taken to disclose the amount to be recovered in the financial

which had not been recovered even at the end of the year under review and action had also not been taken to disclose in the accounts.

mentioned in the query.

statements.

(b) According to the Cabinet Decision අමුණ/23/1597/608/060-1 dated 11 September 2023, even though Rs. 391,441 had been spent by the Commission for Sri Lanka Transport Card Project which had been commenced in the year 2019, since the project had been commenced without a feasibility study, had been stopped due to failure during the year under review.

As the Cabinet Committee on Economic Management has a problematic situation regarding the progress of this project, the Cabinet had assigned this work to the Ministry of Transport to implement it as a new project by getting solutions to all these problems. Accordingly, on the observation of the committee appointed by the Cabinet, the relevant future activities are being carried out by the Ministry of Transport.

According to the decision of the Cabinet of Ministers, the institution is responsible for spending on the dates.

(c) Granting Passenger Service Permits under the functions of the Commission in Section 8 of the National Transport Commission Act No. 37 of 1991 and as per Section 24 of the Act provision had been made for the Commission to issue permits. The Commission had not introduced a proper method of issuing passenger service permits and passenger service permits were given on the tender value of Rs.3,000, Rs.10,000 and Rs.15,000 based on the minimum technical value. Furthermore, until May 2024 National Transport Commission Act had not been amended by the Commission by making necessary provisions for the issuance of passenger service permits.

Action is being taken to issue passenger service permits through the new system approved by the Cabinet of Ministers for issuing passenger service permits. A committee had been appointed by the Board of Directors to review the charging of passenger service permit fees, and arrangements are being made to submit the committee's report to the board meeting to be held in June.

The amendment of Act had already been forwarded to the Attorney General's Department, and it had been informed that the trilingual translation work is being done there.

A system for issuing passenger service permits should be introduced as per the Act,

3.2. Operating Inefficiencies

Audit Observation	Management Comments	Recommendation
During the year under review, out of 4,625 complaints received by the Public Complaints Unit of the Commission, 3,476 complaints had been investigated and 1,149 complaints were under further investigation, which was about 25 per cent of the total number of complaints.	Out of 266 pending complaints, apart from complaints to the National Transport Commission, there are complaints pending at police stations and pending judicial action, and complaints that were not completed due to non-participation in investigations. Also, reminders have been issued for pending complaints and further action had been taken.	Action should be taken to settle the public complaints promptly.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observations	Management Comments	Recommendation
(a) Even though according to the annual action plan, Rs. 10,340,000 had been allocated for the construction of 300 new inter-provincial long-distance sign posts, only 84 sign posts had been constructed at a cost of Rs.242,000 during the year under review. Accordingly, 216 posts could not be constructed, which was about 72 per cent as percentage. Further, the estimated cost was over calculated by 90 per cent compared to the actual cost of constructing the sign posts.	No approval had been received from the Ministry of Finance upto 31.12.2023 for the provision of limited sign posts for long distance service buses from the provisions of the National Transport Commission.	It should be ensured that the maximum objectives expected from the action plan are completed within the same time frame.
(b) Even though according to the annual action plan, Rs. 470,000 had been allocated for the implementation of the Traffic Management System during the year under review, the activities in this regard had not been implemented during the year under review.	The Urban Transport Planning Project included in the Action Plan for the year 2023 planned to develop proposals to reduce urban transport congestion such as Bus Priority Lanes, Park & Ride, Car Pooling. However, although the implementation of bus priority lanes and Park &	Action should be taken as per action plan.

Ride projects were implemented in the past years, those projects were not successfully implemented, so until another alternative method was identified, surveys related to the identification of urban transport management methods were not conducted under this project.