

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the National Council for Road Safety for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity, and cash flow statement for the year then ended and notes to financial statements including material accounting policy information, 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 the 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, the financial statements give a true and fair view of the financial position of the National Council for Road Safety as at 31 December 2024, 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 Opinion

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 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 Council'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 Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Council 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 Council.

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 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 Council'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 Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit 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 audit report. However, future events or conditions may cause the Council 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 Council and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council;
- Whether the Council has performed according to its powers, functions and duties;
- Whether the resources of the Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)Section 8 (1) of the Finance Act, No. 38 of 1971 and the Guidelines on Corporate Governance and Operational Manual for State-Owned Enterprises dated 16 November 2021.	Even though the budget document should be approved by the Secretary to the Ministry 15 days before the commencement of the financial year, the budget document for the year under review had been approved with a delay of 02 months.	The action plan, procurement plan and the budget document for the year 2024 have been amended as per the instructions of the Secretary to the Ministry and the approval of the Secretary has been given on 22 February 2024. It had been stated that action will be taken to obtain the approval of the Secretary to the Ministry for the year 2026 without delay.	Action should be taken in accordance with the Finance Act and the relevant guidelines.
(b)Section 502 (2) Appendix II of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, and Treasury Circular No. 842 dated 19 December 1978.	Even though the assets were revalued at Rs. 5,561,348 during the asset revaluation conducted in December 2024, action had not been taken to update the fixed asset register as per the Circular.	It was stated that action would be taken to include the revalued fixed assets and maintain the fixed assets register in an up-to-date manner.	The fixed assets register should be updated and maintained in accordance with the Financial Regulations and the Circular.
(c)Guidelines on Corporate Governance for State-Owned Enterprises dated 16 November 2021.			

(i) Paragraph 2.3	The Corporate plan had been prepared for the three years from 2022 to 2024 and action had not been taken to prepare a corporate plan for the next 5 years.	It was stated that action would be taken to prepare and implement a Corporate Plan in accordance with the relevant guidelines for the year 2026.	The Corporate Plan should be prepared in accordance with the relevant guidelines.
(d) Assets Management Circular No. 01/2017 dated 28 June 2017	The assets worth Rs. 5.6 million of the National Council for Road Safety had not been entered into the centralized database on government assets of the Comptroller General's Office of the Ministry of Finance.	It had been stated that the assets of the National Council for Road Safety would be included in the centralized database on government assets of the Comptroller General's Office of the Ministry of Finance in accordance with the relevant provisions of the Circular.	Action should be taken in accordance with the relevant provisions of the Circular.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 109,945,502, and the corresponding surplus in the preceding year amounted to Rs. 132,698,295. Accordingly, a deterioration amounting to Rs. 22,752,793 of the financial result was observed. The reasons for the deterioration are mainly due to a decrease in investment income of Rs. 38,200,010.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
In accordance with Section 10.6 of the Parliamentary Series No. 351 of the Parliamentary Special Committee dated 12 December 2014, although this institution should be transformed into a National Commission in order to better manage road safety in the country and given the necessary powers, authority and financial resources, and a full-fledged Secretariat with all the necessary components and highly qualified and trained staff should be established to support the work of the Commission, action had not been taken accordingly.	The establishment of the Council as the National Transport Safety Commission has not yet been completed, and the draft bill for this was last submitted to the Cabinet of Ministers in 2025.	Action should be taken to establish the National Transport Safety Commission subject to relevant approvals.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Even though the National Council for Road Safety had listed 11 expected tasks under the theme “A Safe Road System for All”, as per the information presented on the official website of the Sri Lanka Police regarding road accidents, it was reported that the total number of road accidents that had occurred in the last five years was 116,167 and that approximately 12,149 people had died. Further, although the Council had incurred an expenditure of Rs. 64,500,752 on road safety management programs in the last three years, there had been no reduction in the number of road accidents.	It was stated that various government and non-governmental institutions in Sri Lanka are working on the reduction of road accidents and road safety, that various reasons contribute to the increase in road accidents, and that this Council has not been established as an authorized institution to influence and regulate institutions responsible for road safety. However, it was stated that appropriate practical programs will be planned and implemented in the future so that Sri Lanka can obtain long-term benefits in road safety.	Road safety management programmes should be implemented island-wide, identifying priority needs.
(b) In the last five years, only 247 applications for compensation from 1169 hit-and-run accidents have been submitted to the Council for compensation to people who are helpless due to hit-and-run accidents. The lack of adequate measures to make the public aware of the possibility of obtaining compensation in these hit-and-run accidents has led to a reduction of these compensation requests.	Even though the Council provides financial assistance to victims of hit-and-run accidents, all victims do not apply for financial assistance from the Council. Police stations of the Sri Lanka Police have been informed to make the public aware in this regard, and it was stated that action will be taken this year to make the general public aware in this regard.	Action should be taken to make the public aware of the possibility of obtaining compensation for hit-and-run accidents
(c) During the three years including the year under review, out of the income of Rs.222,674,418 received by the Council from Insurance Companies, only Rs.100,450,751, i.e. 45 percent of the Council's income, was spent on providing financial relief and implementing road safety management programs. The failure to prepare appropriate and efficient plans to fulfill the established functions of the institution, and implement them had led to the minimization of expenditure on road safety and providing financial relief.	The role of the Road Safety Fund is outlined in Section 213(B) 4 of the Motor Traffic (Amendment) Act, No. 5 of 1998. During the past two years, due to the vacancies in essential posts that existed from time to time, the implementation of certain planned projects was delayed. It was stated that it is expected that programs would be planned in the future and implemented within the prescribed time frame to enhance the productivity and efficiency of the institution.	Plans should be prepared and implemented to fulfill the established role of the institution.

3.3 Human Resource Management

Audit Observation	Management Comment	Observation
(a) 10 staff members in respect of 6 posts such as the post of Secretary of the Council, 4 posts of Development Officer, a post of Management Services Officer, a post of Office Assistant, 2 posts of Driver, and a post of Operations Officer were attached to the Council from the staff of the Ministry of Transport and the Sri Lanka Railways without the approval of the Department of Management Services	It was stated that even at the time of approving 5 Development officers for the council, although 10 Development officers, a Management Services Officer, two Drivers and an Office Assistant attached from the Ministry and the Sri Lanka Railways were working in the Council, permanent staff had not been appointed to the above approved posts.	Action should be taken to recruit permanent staff for the approved posts.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Observation	Management Comment	Recommendation
Even though it is the responsibility of the management of the institution to prepare the strategic direction through the corporate plan based on priorities within a national policy framework in order to achieve the objectives of the institution, to ensure that the key performance indicators (KPI) defined therein are implemented, to continuously review the implementation of the strategic plan and take corrective measures whenever necessary, in accordance with paragraph 2.2.1 of the Guidelines on Corporate Governance for State-owned Enterprises dated 16 November 2021, the management had not taken steps to timely review or update the progress of the three-year Corporate Plan 2022 - 2024. Further, action had not been taken to prepare a corporate plan for the next 5 years from the year 2025.	It was confirmed that the expected performance in the year 2024 has not been achieved due to the vacancies that occurred in the management of the institution from time to time during the implementation of the plans of this National Council and that the 2022-2024 Corporate Plan has not been used as a good control tool and it was stated that action will be taken to prevent such issues from occurring in the future	Action should be taken in accordance with the Circulars and guidelines.

4.2 Annual Action Plan

Audit Observation	Management Comment	Recommendation
(i) Based on the approach regarding the UN Road Safety Collaboration, the Council had prepared the three-year Corporate Plan 2022-2024 with a budgeted allocation of Rs. 476.1 million for the implementation of 32 projects. 16 projects included in the Corporate Plan had not been included in the action plans for those periods and the performance of the other 16 projects had only been taken at 0 to 81 percent as at 31 December of the year under review. Further, 33 projects at a value of Rs. 82 million, which were not identified in this three-year plan, had been included in the action plans for that period without amending the Corporate Plan. Moreover, 93 programmes under 29 projects had been identified in the 2024 action plan, and it was revised again in June 2024 and 37 programmes under 14 projects were planned to be implemented at an estimated cost of Rs. 149 million. However, action had not been taken to complete 11 projects out of these projects and their performance had only taken a value of 0 to 25 percent.	It was stated that although it is not mandatory to work under the 5-pillar approach proposed by the United Nations Road Safety Collaboration, as a member country, it has been recognized that the practical implementation of that approach will lead to the reduction of accidents, and therefore, as a responsible government institution established to work on road safety in Sri Lanka, programmes are being planned under this approach and the current legal status and limited resources of the National Council were affecting the failure to prepare programmes that covered all the pillars.	Strategic programmes should be prepared and implemented to achieve the objectives of the institution.

4.3 Budgetary Control

Audit Observation	Management Comment	Recommendation
The estimated capital expenditure of the Council in the year under review was Rs.233,597,000 and the actual expenditure was Rs. 5,692,193, i.e. only 2 percent, indicating that the Council had not used the budget document as a good control tool for the efficient use of funds in carrying out its functions. Further, the minimum use of capital expenditure had resulted in a very poor level of performance of the objectives and functions of the Council and had resulted in the inability to minimize road accidents.	It was also stated that in the year 2025, action will be taken to use the budget document as a good control tool.	The budget document should be used as a good control tool in fulfilling the role of the institution.