

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the National Council for Road Safety for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, 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 tabled 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 National Council for Road Safety as at 31 December 2020, 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 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 the 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:

- 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 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 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; and
- 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 Audit Observations relating to the Preparation of Financial Statements.

1.5.1 Internal Control over the Preparation of Financial Statements

The Council is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Audit observations on the general ledger are given below.

Audit Observation -----	Comment of the Management -----	Recommendation -----
Failure to verify the accuracy of revenue received from the insurance companies.	That action will be taken to ensure proper maintenance of the performance and the areas of systems and control.	Revenue should be identified and brought to the accounts properly.

1.5.2 Accounting Deficiencies

Audit Observation -----	Comment of the Management -----	Recommendation -----
The value of fixed deposits shown in the financial statements under non-current assets by the end of the year under review, had been understated by a sum of	Action will be taken in due course to identify and account the interest receivable on the fixed deposits.	Assets relating to the year should be shown in the financial statements correctly.

1.5.3 Lack of Documentary Evidence for Audit

Item	Amount	Audit Evidence not Furnished	Comment of the Management	Recommendation
	Rs.			
Funds remitted by the insurance companies.	43,768,526	Revenue schedules relating to 01 per cent contribution made by the insurance companies.	A letter had been sent to the Insurance Regulatory Commission requesting for information required to verify the accuracy of funds being remitted by the insurance companies. However, no response has been received thus far.	Certified financial statements of the relevant institutions should be obtained in order to verify the accuracy of funds being remitted by the insurance companies.

1.6 Non-compliances with Laws, Rules, Regulations and Management Decisions, etc.

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(a) Financial Regulation 110.	A register had not been maintained to record losses.	A register is being prepared.	The Financial Regulation 110 should be followed.
(b) Financial Regulation 454 (2).	The Council had not maintained an inventory for electrical fittings.	A register is being prepared.	The Financial Regulation 454(2) should be followed.
(c) Financial Regulation 891(1).	A security register containing information on the officers who should give securities had not been maintained by the officers in charge of assets.	A register is being prepared.	The Financial Regulation 891(1) should be followed.

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| (d) | Treasury Circular, No. 842 dated 19 December 1978, and Financial Regulation 502(2) 11. | A register of fixed assets had not been maintained | The register of fixed assets is being prepared. | The register of fixed assets should be maintained in accordance with provisions of the relevant Treasury Circulars. |
| (e) | Section 4.2.2 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003. | Meetings of the governing body should have been held monthly, but only 02 meetings had been held in the year under review without being represented by all the members. | Action will be taken to inform that participation of all the members in the meetings to be held in due course will be mandatory. | Meetings of the governing body should be held in accordance with provisions of the relevant Circulars. |
| (f) | Section 8.8. | Although the Council should approve the delegation of financial powers at the beginning of the year, the approval had been granted at the session held on 28 February 2020. | Approval on the delegation of financial powers for the year under review had been obtained at the first meeting held after becoming the Chairman on 2020.02.06. | Financial powers should be delegated in accordance with the provisions of Circulars. |

1.7 Management of Funds

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
According to the Public Finance Circular, No. PED 25(4) dated 31 October 2006, approval of the Ministry of Finance and Planning (Treasury) should be obtained prior to investing excess funds in a bank or a financial institution. However, without doing so, a sum of Rs. 44 million had been invested in People's Bank on 14 February of the year under review.	Approval of the Council and the Secretary to the Ministry had been obtained to invest the sum of Rs. 44 million in the year under review.	Funds should be invested upon the relevant approval.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 61,590,212 as compared to the corresponding surplus of Rs. 61,429,545 in the preceding year. As such, an improvement of Rs. 160,667 was observed in the financial result. The decrease in expenditure in relation to the decrease in the insurance revenue in the year under review, had mainly attributed to the said improvement.

2.2 Analysis on Trends in the Main Items of Revenue and Expenditure

- (a) The contributions made by the insurance companies, the main source of revenue for the Council, had decreased by Rs. 1,134,312 in the year under review as against the preceding year whilst the interest income on fixed deposits and Treasury deposits had also decreased by Rs. 4,080,486. As compared with the preceding year, the expenditure of the year under review had decreased by Rs. 5,375,465 as well.
- (b) The interest rates of the banks on fixed deposits and Treasury deposits remained low as against the preceding years. Payment of compensation on the hit and run accidents had decreased by Rs. 3,125,000 as against the preceding year.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	Even though 15 years had elapsed since the inception of the National Council aiming to establish the National Commission for Road Safety, the entity had not been established as a Commission. As such, no legal authority required to discharge the functions thereof had been vested, thus hampering the appointment of a formal staff.	Subject to several recommendations, approval of the Cabinet had been received to transform the National Council for Road Safety into Transport Safety Commission. According to the recommendations so given, the previous draft Act had been amended on 2021.06.15 at a meeting of experts with the participation of the Secretary to the Ministry. The Ministry is taking action to forward the amended draft to the Legal Draftsman.	Action should be taken to establish the National Commission for Road Safety.
(b)	Four insurance companies registered	Action had been taken to obtain a documentary verification from	The Council should take follow up action on the

with the Central Bank of Sri Lanka had not remitted the 01 per cent contribution, but the Council had not taken follow up action in that connection, or the Council had not verified as to whether third party insurance agreements had been entered into through the **Insurance Trust**.

the Insurance Regulatory Commission in that regard. Further action will be taken once the letter is responded.

insurance companies registered with the Central Bank of Sri Lanka, or the Council should verify as to whether third party insurance agreements are entered into through the **Insurance Trust**.

- (c) All the insurance companies had given their consent in the years 2016 and 2019 to increase the contribution to the Road Safety Fund up to 02 per cent. However, action had not been taken even by the year 2020 to recover the increased contribution. Approval of the National Council for Road Safety on the proposal for increasing the contribution to the Road Safety Fund up to 02 per cent had been obtained through a Council Paper. Approval of the Insurance Regulatory Commission responsible for regulating all the insurance companies, had been given on 2021.04.30. Furthermore, the Ministry has requested the Legal Draftsman in regard of imposing the regulations. Action should be taken to increase the contribution by amending the relevant laws and regulations.

3.2 Operating Inefficiencies

----- Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) According to the instruction manual of the scheme for paying compensation to the victims of road accidents caused by unidentified vehicles, such compensation should be provided for the applicants without delay. However, the Council had not taken action to pay compensation in respect of 06 compensation applications that had been received within the period	An efficient methodology for paying compensation will be introduced in due course.	Efficiency should be ensured in paying compensation to the victims.

from 2018 to December, 2019, even though a period of 02 years and 06 months had elapsed since their submission.

- (b) Compensation totaling Rs. 775,000 had been paid during the year under review in favor of 08 applications received from injured persons in the years 2015, 2017 and 2019, but the compensation had been paid after a delay ranging from 01 year and 02 months to 05 years since the receipt of applications. An efficient methodology for paying compensation will be introduced in due course. Efficiency should be ensured in paying compensation to the victims.
- (c) Although a sum of Rs. 43,768,526 had been received as contribution from insurance companies in the year under review, only a sum of Rs. 4,275,000 had been paid as compensation, representing 10 per centum of the contribution receipts. As for the road accidents occurring in Sri Lanka, this situation is observed in audit to be due to the unawareness on the part of the public. Measures have been taken to display notices on the payment of compensation. Action will be taken to conduct awareness programs for the public. The public should be made aware of the compensation.
- (d) The key objectives of the National Council for Road Safety include, minimizing the road accidents, and paying compensation to the victims of hit and run accidents. According to the information relating to a period of 05 years, 320 hit and run accidents had taken place whereas only 261 applications had been submitted. The Council had not taken follow up action on the 59 accidents for which applications had not been submitted. Action will be taken in this regard in liaison with the Motor Traffic Division of the Police. Additionally, this matter will be taken for discussion at the meeting of the Council thereby obtaining instructions. Action should be taken by identifying the victims through the information collected through the Motor Traffic Division of Police.

3.3 Idle Equipment

Audit Observation	Comment of the Management	Recommendation
Driver training had not been carried out successfully by using the driver training equipment received in December 2018 as a donation from Japan and the equipment worth Rs.5,875,351 purchased, and such equipment remained idle due to the fact that the training had been stopped from 21 st June, 2019 to March, 2021.	Instructions on further action have been sought. Action will be taken in due course once the instructions have been received.	The existing assets should be made use of efficiently through the proper identification of requirements.

3.4 Management of Procurements

Audit Observation	Comment of the Management	Recommendation
An annual Procurement Plan should be prepared and implemented together with the annual Action Plan in terms of Section 4(d) of the Public Finance Circular, No. 01/2014 dated 17 February 2014. However, the Council had prepared plans to the value of Rs. 49.28 million for the year under review with respect to goods, services and implementation of miscellaneous projects, but no activity whatsoever had been executed during the year under review. As such, tasks mentioned in the Procurement Plan had not been carried out even up to 31 December 2020.	Action will be taken to formalize the activities by the year 2021.	Action should be taken in accordance with the plans.

3.5 Resources Released to Other Institutions

Audit Observation	Comment of the Management	Recommendation
The inventory had not been properly maintained by the National Council for Road Safety.	Action will be taken to ensure proper maintenance of the relevant registers.	Attention should be brought on the control of assets.

Due to failure in recording the items released to each institution, there existed a shortage of items belonging to the Council.

3.6 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
Action had not been taken to obtain approval and recruit a trained staff sufficient for discharging the functions of the National Council for Road Safety. Instead, the Council functioned with 11 officers comprising 05 officers from the Ministry of Transport, 05 officers from the Department of Railways, and an officer from the Sri Lanka Transport Board.	The report relating to the recommendations given by the Department of Management Services in regard of obtaining approval for the staff of National Council for Road Safety, is being prepared.	Action should be taken to obtain approval for the staff of National Council for Road Safety.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Observation	Comment of the Management	Recommendation
The Corporate Plan had not been prepared for the 05 preceding years contrary to the Treasury Circular.	Provisions of Circulars will be followed in due course.	Provisions of Circulars should be followed.

4.2 Annual Action Plan

Audit Observation	Comment of the Management	Recommendation
Twenty projects and programs along with 49 activities for executing them had been mentioned in the Action Plan for the year 2020 in order to strengthen the capacity for the management of road safety. Although 14 programs therefrom had been implemented, the expected objectives could not be fulfilled.	It is informed that the plans could not be implemented as expected owing to the spread of pandemic.	Action should be taken in accordance with the plans thus achieving the expected objectives.

4.3 Audit Committee

Audit Observation	Comment of the Management	Recommendation
Four sessions of the meeting of the Audit and Management Committee should at least be held per annum in terms of the Circular, No. DMA/2009/01 dated 29 June 2009. Nevertheless, only one meeting had been held in the year under review.	One session of the Management Committee meeting had been released due to Corona pandemic, and one session of the meeting had been held. Action will be taken in due course to hold 04 sessions of the meeting.	Meetings of the Management Committee should be held properly in view of facilitating the functionality of the Council.

4.4 Budgetary Control

Audit Observation	Comment of the Management	Recommendation
(a) Approval on the budget should be obtained prior to 03 months before the commencement of the year of finance in terms of Section 11 of the Finance Act, No. 38 of 1971 and the Public Finance Circular, No. PED 5.2.4 dated 02 June 2003. Nevertheless, approval of the Council for the budget of the year under review had been obtained on 28 February 2020.	I took charge of the duties in the capacity of the Chairman of the National Council for Road Safety on 2020.2.06. Approval for the budget of the year under review will be obtained at the first session of the meeting to be held after becoming the Chairman.	Compliance with the provisions of Circulars is necessary.
(b) Expenses totaling Rs. 1,947,545 had been incurred under 02 Objects with no budgetary provision being made.	Due to spread of Corona pandemic, the management activities could not be executed in accordance with the budget. Action will be taken to correct the said variations.	Budget estimates should be prepared by properly identifying the requirements for provision.
(c) Variations ranging from 04 per cent to 651 per cent were observed in comparing the budget estimate prepared in the year under review and the actual expenditure.	Due to spread of Corona pandemic, the management activities could not be executed in accordance with the budget. Action will be	Provision should be made by properly identifying the requirements for provision.

taken to correct the said variations.

4.6 Sustainable Development Goals

Audit Observation	Comment of the Management	Recommendation
A sustainable development plan had not been prepared contrary to Circular, No. NP/.5P/5dg/17 of the Ministry of National Policies and Economic Affairs, dated 14 August 2017.	As for the sustainable development targets relevant to the National Council for Road Safety, 03 objectives relating to road safety had been identified, and the Action Plan of the Council will be prepared by including the activities relating thereto.	The Sustainable Development Goals should be identified and the plans should be prepared accordingly.