NATIONAL TRANSPORT COMMISSION (NTC)

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Colombo 05.
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info@ntc.gov.lk

Hotline

011-2595555
Hon. Minister of Transport,
Ministry of Transport,
No.01, D.R. Wijewardane Mawatha,
Colombo 10.

**Annual Report - 2009**

In terms of Section 14 (2) of the Finance Act No. 38 of 1971, and chapter 05 and 06 of the Public Enterprises Guidelines for Good Governance, the National Transport Commission has the honor to forward herewith the Annual Report Financial Statement and Auditor General’s Report of the National Transport Commission for the year ending 31st December 2009.

Sgd.
Sashi Welgama,
Chairman,
National Transport Commission.
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Members of the Commission
As at 31.12.2009

1. Prof. Amal S. Kumarage -Chairman
2. Mr. A. Sapumana -Member
   *(Ministry of Railways & Transport)* *(Ex- officio)*
3. Mrs. S. P. Vithanage -Member
   *(Ministry of Finance & Planning /Treasury)* *(Ex- officio)*
4. Mr. Upasena Senanayake -Member
5. Mr. Y.P.R.M. Laffeer -Member
6. Dr. Anil Jasinghe -Member
7. Mr. M.J.M.S. Jayasundara -Member
Overview

Vision

To create an environment to provide qualitative cost effective and safe passenger transport system to bring about socio-economic development in the country.

Mission

To advise the Government of Sri Lanka on the National Policy relating to passenger transport by omnibus and to establish necessary regulatory framework to ensure an efficient bus transportation system, to meet the transport needs of the public.

Goals / Objectives

- To continue the development of bus services at a higher level both in quality and quantity.
- To develop an effective transportation network.
- To develop a transport system which enables the passengers to choose the bus service which is more suitable to them.
- To ensure the stability and viability of operators engaged in passenger transport services.
- To provide financial assistance to less remunerative but socially necessary bus services in rural and developing areas.
- To plan and develop a methodology which will prevent the environmental damage caused by bus passenger transport services.
- To increase the productivity of buses by regularizing the turn around times of buses.
- To ensure the safety and discipline in omnibus transportation.
- To co-ordinate the omnibus transportation system in both the inter and intra provincial services.
- To improve the whole labour productivity in the country.
Constitution of the Commission

The Commission consists of three ex-officio members and further five members appointed by the Minister of Transport on the approval of the Cabinet of Ministers. The Organizational structure of the Commission consists of the Chairman, Director General and four other Directors in charge of the Departments of Planning, Operations and Service Monitoring, Quality Assurance and External Relations and Finance and Procurement.

By the end of 2009 the approved cadre of the Commission comprised of 190 employees, but the actual number of employees was 142.
Performance of the year, 2009

Board Meetings

The numbers of Board Meetings held during the year were 13.
The numbers of Audit Management Committee Meetings held during the year were 06.

01 Reform of the Private Bus Industry

National Transport Policy

The objectives of the National Transport Policy is to set out explicitly, the interventions of Government in ensuring that existing and potential mobility needs within the country for passengers and goods transport are safely, cost effectively and causing least impact on the environment and resources. Furthermore, to ensure that all citizens both individual and corporate are provided with adequate levels of access to basic needs such as to places of employment, markets and to public services etc.

This is intended to set out a policy preliminary aimed at improving the quality of service of the sector. This policy covers the carriage of passengers and goods by railway, land or by National waterways including coastal shipping between any two points within the territorial area of the country.

Amendments to National Transport Commission Act

The Amendments to the National Transport Commission Act No. 37 of 1991 is now in progress in order to include the following provisions for the reform of the bus sector. The final draft has been forwarded AG for his approval. It is expected to submit to the Parliament as a bill for approval.

i. Expansion of the functions of the Commission by making policies and overall planning of transport to include all modes of road transport.
ii. Appointment of the Director General and the delegation of powers of the commission.
iii. Convert present single bus operators into professionally managed bus companies and granting of franchise and licenses to such companies for and efficient and effective system of bus operation.
iv. The Commission expanded the scope of the flying squad with the newly introduced permit conditions for operators. The progress of the flying squad Set standards and specifications in respect of any road vehicle/service for the transport of people and goods within Sri Lanka.

v. Prepare timetables to minimize unhealthy competitive practice of operation of buses and to provide equal and equitable operating opportunities for all operators and to ensure provision of reliable and regular service during all times of the day.

vi. Include new provisions regarding suspension, surcharges, cancellation of franchises and licenses and the Appeal Procedure with regard to the above and to include new provisions.

vii. Include provisions regarding unauthorized persons influencing bus operations.

viii. Formulation of Annual Fare Revisions by means of a Fare Index.

ix. To amend the interpretation clause.

x. Final draft of this Bill has now been sent to the Ministry of Transport for final observations, alterations and changes.

**Formation of Bus Companies**

As a part of restructuring process of the passenger transport industry, this project has been started by the NTC in the Inter provincial services. The main objectives of this project are to;
- Convert the bus industry to one, that is regulated through an institutional mechanism.
- Improve the standard of the fleet
- Improve the level of services
- Reduce speeding and accidents
- Give a better training to management staff and crews and capacity building.
- Operate according to the time tables.
- Get the job security for the employees of the industry
- Reduce high cost of operation and increase revenue
- Stop unauthorized interventions
- Bring both the private and public operations under the same policy framework

With these objectives, 35 companies were targeted to be formed on voluntary basis and 05 companies were in operation at the end of the year. 02 companies are waiting for inauguration and initial awareness programmes have been done for 03 companies at the end of the year under review.
Streamlining the service delivery for socially necessity bus services

School Bus Project - “Sisusariya”

The National Transport commission has been vested with a responsibility of providing school bus service at subsidized rates for the sake of School children. The objective of this project was to create an environment in which the children could go to schools well in time without being inconvenienced, mentally or physically and return home safely.

This would aim at providing Sri Lanka Transport Board and Private Sector buses as decided School buses where pre agreed rate will be paid to compensate short fall in revenue. It was expected that 850 services available by the end of December 2009.

At the end of the year 2009, 688 school services were operated successfully by involving both SLTB and Private sector. Deployment of buses were limited at 688 due to non availability of funds.

Rural and Uneconomical Services Project - “Gamisariya”

The role of this project is to provide proper and efficient transport service to the people by selecting the rural and developing areas which do not have transport facilities. This will be done after identifying the mode of providing such facilities through the necessary surveys and consultation with the people of the area concerned. There after by selecting an efficient operator according to the tender procedures and considering the possibility of reimbursing the loss by the Government subsidy.
This would include routes and trips for which a subsidy would be paid as long as the services are actually provided and can be certified by the user. The subsidy payment will be determined by surveys and agreed upon. Both Sri Lanka Transport Board and Private Sector buses are involved to provide this service. For supervision of these services, village level monitoring committees were established. At present 284 committees are functioning by providing feedback on these services. Deployment of 429 busses was targeted and the progress was represented by deploying 239 buses during the year 2009. Further 161 routes were identified and already established monitoring committees.

**Project on Late Night Services - “Nisisariya”**

The objective of this project to provide convenience transport service for passengers who travel during the night and a fuel subsidy is being paid for depots which provide these services. It was expected to introduce 47 services at the end of the year 2009. At the end of the year 2009, the services were in 42 routes.

**School services for Private and International Schools**

The target of this project was to provide 10 services to Private and International schools in Colombo. During the year 2009, 10 buses were deployed to 04 private schools.

**03. Development of Infrastructures**

**Development and Modernization of the Bastian Mawatha Bus Terminal**

This project mainly focuses to improve the Bastian Mawatha as an Inter provincial bus terminal with modern technology. It is necessary to systematize the operations of both local and inter-provincial services which can be achieved only by separating the passenger terminals for these services. Hence, the need to establish a separate bus passenger terminal for inter-provincial services, operated by the private sector, and to be managed by the NTC in Colombo.

Guidelines for the development of this terminal is fixed as follows,

i. The project should as far as not utilize state funds.

ii. The project should be economically viable, providing a reasonable financial return to potential investors, thus making it attractive for private sector investment.

iii. The land should be on lease to potential developers in accordance with government policy.
iv. The NTC and state should benefit financially from the venture, ie, the NTC should obtain ownership of the passenger terminal at no cost, while the state should benefit from the lease rental of the land.

v. To achieve this, the development should be essentially commercial in nature, while providing facilities for passengers, crew, and operators, while providing a reasonable return to the developer, after meeting his commitments.

vi. The design of the terminal should be in accordance with the UDA guidelines, and promote pedestrian access to the Fort Railway station, to promote inter-modal transport.

**Erect and maintenance of Stop Signs at Bus Stops**

The action plan of the Commission highlighted to erect long distance limited stop sign boards for easy identification of bus stops from Colombo to Kandy and Ambepussa to Habarana, during the year 2009. Although the locations were identified, the project had to be postponed due to unavailability of funds during the year 2009.

**04 Construction of an Office Complex**

NTC had proposed in 2005 to construct a new building in the present premises as there is no adequate accommodation for the Commission’s staff as well as the other parties who visit to obtain the services. Funds were allocated by the treasury in 2006 with the approval of the Ministry of Transport. State Engineering Corporation (SEC) has been appointed as the consultant for designing the building and supervision of the construction. The contractor was selected by the Procurement Committee of the Ministry of Transport and been awarded the construction to Dharmadasa Construction and Enterprises. At the end of the year 2009, the project details depicted 100% completion.
Initiation of new services to reduce Fuel Consumption

Park and Ride Services

This service provides a facility that allows commuters and other people wishing to travel into the city centre, to leave personal vehicles in a secured car park and transfer to luxury coach which will take them as close as possible to their destinations.

Park and ride schemes are often marketed as a way to avoid the difficulties of driving in congested traffic and to avoid the cost of parking within the city centre. More importantly the burden on congested roads approaching cities and scarce and expensive city centre parking is expected to be reduced. It was successfully operated with 180 and the service extended up to Wadduwa at the end of the year 2009.

Car Pooling System

Arrangements were made to open the system for Public access and Website hosting being done continuously.

Pilot Bus Lanes

It was expected to introduce well designed 05 bus lanes in the new one way system and other areas for such operations. Designs were completed up to the end of the year.

06 Quality Assurance Programmes

Rectification of fare anomalies in Inter/Intra Provincial bus services

The Purpose of this project is to measure and rectify bus fares in all island Passenger Transport Bus operating routes. The Action plan for the year 2009 indicated the rectification of fare anomalies existed in Inter and Intra provincial bus services in Central, Southern and North Western Provinces. Action was taken to revise fares in two times during the year 2009 arrangement have been done to display the revised fares.
**Time tabling Project**

In order to provide equal opportunities to all operators and to reduce competitive driving practices, arrangements have been made to introduce rotational timetables by the commission. The prime objective of this project is to provide quality bus transport service while maximizing vehicle utilization of buses.

**Bus Crew Training, Registration and Monitoring Project**

Special training programmes have been launched for drivers and conductors who involved in the service. During the year under review, the target of this project was to train 1500 bus crews and issue ID cards. The prime objective of this project was to register bus drivers and conductors with the National Transport Commission and issue identity cards for them in terms of the conditions of the passenger service permit stipulated under 26 of the National Transport Commission’s Act No. 37 of 1991. And ultimately it is expected to enhance quality and disciplinary passenger transport service to the country. The Action Plan of 2009 has been indicated to register 1500 bus drivers and conductors during the year. The results performed as 2935 trained and registered Bus Crew up to 2009.

**Physical Checking of Buses**

This programme has been introduced in order to study, monitor and enforce noise reduction of buses that have been involved in passenger transport service. The objective of the programme is to enhance quality of bus services provided to the public. The Commission continued its regular activities in the past year too. It has been expected to monitor 3380 buses during the year under review. The process is in progress.
Use of Ticket Machines and Crew Dress Code

According to the new passenger service conditions the criteria viz. bus number, origin and destination of the passenger, correct bus fare, date of issue date and serial number should be included in a bus ticket. In view of streamlining the above process, all inter provincial passenger permit holders were advised to use electronic ticket machines from the month of July 2008. The NTC also began enforcing the permit condition on dress code for crew. It was expected to 100% progress up to the third quarter of the year 2009. Accordingly some improvement is visible.

Public Complaints

The Public Complaints Investigation unit was established in view of providing an efficient, safe and courteous service to the public. The unit obtains information through the hot line, internet facilities and through written public complaints too. The Commission has made arrangements to resolve the complaints related to inter provincial services, at the NTC office and have made arrangements to forward complaints related to intra provincial services, for relevant Provincial Authorities. The complaints relating to SLTB services are directed to the Chairman, SLTB. The number of 3167 Complaints/Detections were received were received during the year under review and 3017 of them were finished in 2009.

Mobile Inspections

The Commission expanded the scope of the flying squad with the newly introduced permit conditions for the purpose of improving quality of the Inter provincial Passenger Transport Service. The numbers of 17409 buses were inspected up to the year under review and 80% of achievements of targets by representing 3985 detections reported during the year 2009.

Staff Training and Development

During the year under review the Commission made arrangements to train the staff in various subjects like of Transport, Taxation, Project Management, Procurement, Management English and Computer. The training programmes were conducted locally by the by the University of Moratuwa, University of Colombo, Postgraduate Institute of Management, IDM, Institute of Government Accounts & Finance. The staff of NTC also sent abroad for training through various scholarships, The 144 numbers of the staff were trained during the year under review.
Annual Accounts
# National Transport Commission

## Statement of Financial Position as at 31st December 2009

### Assets

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<td>5,188,784.96</td>
<td>7,715,385.54</td>
<td>7,715,385.54</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Net Assets</td>
<td>238,525,724.45</td>
<td></td>
<td>92,762,858.21</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Note

- Government Grant for Un-Economic Rural Route Subsidy
- Fund Receipt: 172,000,000.00
- Subsidy Payment: 170,000,000.00

**Accountant:**
National Transport Commission

**Chairman:**
National Transport Commission
<table>
<thead>
<tr>
<th><strong>Operating Revenue</strong></th>
<th>Notes</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Funds for Recurrent Expenditure</td>
<td></td>
<td>31,465,000.00</td>
<td>33,500,000.00</td>
</tr>
<tr>
<td>Government Contribution for Projects - Recurrent</td>
<td></td>
<td>246,636,613.89</td>
<td>97,202,405.47</td>
</tr>
<tr>
<td>Ministry Contribution for Capital Project</td>
<td></td>
<td>24,268,497.16</td>
<td>0.00</td>
</tr>
<tr>
<td>Other Income</td>
<td>2.1</td>
<td>56,458,286.04</td>
<td>45,398,061.22</td>
</tr>
<tr>
<td><strong>Total Operating Revenue</strong></td>
<td></td>
<td>358,826,397.11</td>
<td>176,100,466.59</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Operating Expenses</strong></th>
<th>Notes</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Emoluments</td>
<td>2.2.1</td>
<td>58,879,970.75</td>
<td>49,879,337.98</td>
</tr>
<tr>
<td>Transposition</td>
<td>2.2.2</td>
<td>5,258,502.93</td>
<td>5,152,883.48</td>
</tr>
<tr>
<td>Special Project Expenses</td>
<td>2.2.3</td>
<td>270,905,111.07</td>
<td>97,202,405.47</td>
</tr>
<tr>
<td>Transport Development Activities</td>
<td>2.2.4</td>
<td>45,000.00</td>
<td>1,054,428.94</td>
</tr>
<tr>
<td>Travelling &amp; Subsistence</td>
<td>2.2.5</td>
<td>1,646,440.17</td>
<td>2,011,601.07</td>
</tr>
<tr>
<td>Establishment Expenses</td>
<td>2.2.6</td>
<td>6,420,325.81</td>
<td>6,910,977.57</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance of Fixed Assets</td>
<td>2.2.7</td>
<td>1,332,429.50</td>
<td>1,811,846.58</td>
</tr>
<tr>
<td>Staff Welfare</td>
<td>2.2.8</td>
<td>2,712,161.07</td>
<td>2,104,158.63</td>
</tr>
<tr>
<td>Staff Development</td>
<td>2.2.9</td>
<td>312,379.81</td>
<td>419,400.00</td>
</tr>
<tr>
<td>Consultancy Assignment</td>
<td></td>
<td>-</td>
<td>399,000.00</td>
</tr>
<tr>
<td>Legal &amp; Other Fees</td>
<td>2.2.10</td>
<td>707,206.00</td>
<td>365,811.00</td>
</tr>
<tr>
<td>Information</td>
<td>2.2.11</td>
<td>1,225,983.53</td>
<td>1,695,288.50</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2.2.12</td>
<td>15,141,752.24</td>
<td>15,309,450.91</td>
</tr>
<tr>
<td>Other Expenses</td>
<td></td>
<td>849,235.13</td>
<td>534,976.06</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td></td>
<td>367,736,487.01</td>
<td>184,851,576.19</td>
</tr>
<tr>
<td>Surplus / (Deficit) from Operating Activities</td>
<td></td>
<td>-8,908,089.90</td>
<td>-8,751,109.50</td>
</tr>
<tr>
<td><strong>Financial Charges</strong></td>
<td>2.2.13</td>
<td>367,643.83</td>
<td>642,331.04</td>
</tr>
<tr>
<td><strong>Non Operating Revenue</strong></td>
<td></td>
<td>1,086,948.75</td>
<td>1,678,059.00</td>
</tr>
<tr>
<td><strong>Net Surplus / (Deficit)</strong></td>
<td></td>
<td>-8,188,744.86</td>
<td>-7,715,381.54</td>
</tr>
</tbody>
</table>
NATIONAL TRANSPORT COMMISSION  
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED  
31ST DECEMBER 2009

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs.'000</td>
<td>Rs.'000</td>
</tr>
<tr>
<td>Surplus/(deficit) From Ordinary Activities</td>
<td>(8,188)</td>
<td>(7,715)</td>
</tr>
<tr>
<td><strong>Non - Cash Movements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>15,141</td>
<td>15,309</td>
</tr>
<tr>
<td>Revenue for Deferred Income</td>
<td>(4,825)</td>
<td>(4,825)</td>
</tr>
<tr>
<td>Increase in Payables</td>
<td>(3,940)</td>
<td>47,901</td>
</tr>
<tr>
<td>Interest Recieved</td>
<td>(3,820)</td>
<td>(7,531)</td>
</tr>
<tr>
<td>Increase in Provisions Relating to Employee Cost grant</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Increase in Other Current Assets</td>
<td>(3,285)</td>
<td>(306)</td>
</tr>
<tr>
<td>Increase in Receivables</td>
<td>(24,503)</td>
<td>(11,360)</td>
</tr>
<tr>
<td>Income Tax Paid</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Previous Year Adjustment</td>
<td>(8,035)</td>
<td>(4,596)</td>
</tr>
<tr>
<td><strong>Government Grant for Recurrent Expenditure</strong></td>
<td>(31,455)</td>
<td>(33,500)</td>
</tr>
<tr>
<td><strong>Project Expenses</strong></td>
<td>(270,905)</td>
<td>(97,202)</td>
</tr>
<tr>
<td><strong>Working Progress</strong></td>
<td>(44,680)</td>
<td>(69,236)</td>
</tr>
<tr>
<td><strong>Net Cash Flow Operating Activities</strong></td>
<td>(388,505)</td>
<td>(173,061)</td>
</tr>
</tbody>
</table>

Cash Flows from Investing Activities

| Purchase of Plant & Equipment | (4,818) | (23,481) |
| Interest Received             | (3,820) | (7,531) |
| **Net Cash Flows from Investing Activities** | (8,638) | (31,012) |

Cash Flows from Financing Activities

| Capital Grant                  | 319,768 | 61,793 |
| Recurrent Grant                | 31,465  | 33,500 |
| Withdrawal from Cash           | -       | -     |
| **Net Cash Flows from Financial Activities** | 351,233 | 95,293 |

Net Increase/(Decrease in Cash & Cash equivalents)

| (45,910) | (14,694) |
|**Cash & Cash equivalents at Beginning of the Period** | 47,043 | 61,737 |
|**Cash & Cash equivalents at End of the Period** | 1,133 | 47,043 |
1. Significant Accounting Policies

1.1 General Policies

1.1.1 Basis of Preparation

The Statement of Financial Position, Statement of Financial performance, Cash Flow Statement, Accounting Policies and Notes (Financial Statements) of National Transport Commission has been prepared in accordance with the standard issued by the Institute of Chartered Accountants of Sri Lanka. The said Financial Statements are presented in Sri Lanka Rupees (Rs.).

1.1.2 Comparative Information

The accounting policies have been consistently applied by the Institution and are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

1.1.3 Events Occurring after the Balance Sheet Date.

All material events occurring after the Balance Sheet date are considered and where necessary, adjustments or disclosures have been made in the respective notes to the Financial Statements.

1.2 Valuation of Assets

1.2.1 Inventories

Inventories are valued at cost.

1.2.2 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize.

1.2.3 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits in banks called/fixed deposits at banks & gratuity fund.
1.2.4 Property, Plant and Equipment

a) Cost and Valuation

The Property, Plant & Equipment are recorded at cost less accumulated depreciation.

The cost of Property, Plant & Equipments is the cost of purchase or construction together with any expenses incurred in bringing the assets to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature by means of which to carry on the activities or to increase the earning capacity of the activities have been treated as capital expenditure.

b) Depreciation

The provision for depreciation is calculated by using Straight Line Basis on the cost or valuation of all Property, Plant and Equipment other than Freehold Land, in order to write off such amounts over their estimated useful lives by equal annual installments as follows.

<table>
<thead>
<tr>
<th>Item</th>
<th>Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicle</td>
<td>Over 05 Years</td>
</tr>
<tr>
<td>Furniture &amp; Fittings</td>
<td>Over 10 Years</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>Over 05 Years</td>
</tr>
<tr>
<td>Miscellaneous Equipment</td>
<td>Over 05 Years</td>
</tr>
<tr>
<td>Computer &amp; Printers</td>
<td>Over 04 Years</td>
</tr>
<tr>
<td>Machinery</td>
<td>Over 05 Years</td>
</tr>
<tr>
<td>Building</td>
<td>Over 20 Years</td>
</tr>
<tr>
<td>Bus Shelters &amp; Sign Boards</td>
<td>Over 05 Years</td>
</tr>
</tbody>
</table>

Depreciation has not been provided on Library Books.

1.2.5 Investments

The cost of investment is the cost of acquisition.

1.3 Liabilities and Provisions

1.3.1 Trade and Other Payables

Route Permits & Penalties are stated at their values.

1.3.2 Retirement Benefit Costs
a) Defined Benefit Plan – Gratuity

Full provision has been made on accounts of retiring gratuity from the first year of service of the employee in conformity with Sri Lanka Accounting Standard No.16 “Retirement Benefit Costs” at half (1/2) month’s salary for each year of service.

However according to the payment of Gratuity Act No 12 of 1983, the liability for gratuity to an employee arises only on completion of five years continued service.

The liability is externally funded at the Treasury Bills in National Savings Bank. This item is grouped under Non Current Liabilities in the Balance Sheet.

b) Defined Contribution Plans – Employees Provident Fund & Employees Trust Fund

All employees who are eligible for Employees Provident Fund Contributions and Employees Trust Fund Contribution are covered by relevant contribution funds in line with respective Statutes and Regulations.

1.4 Income Statement

1.4.1 Turnover

Turnover represents the amounts derived from the provision of and services which fall within the National Transport Commission’s ordinary activities.

1.4.2 Revenue & Expenses

1.4.2.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic will flow to the Institution.

1.4.2.2 Expenditure Recognition

All expenditure incurred in the running of the Institute and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year.
2 CORPORATE INFORMATION

2.1 Domicile and Legal Form

National Transport Commission is established under the Parliament Act No 37 of 1991.

2.2 Principal Activities and Nature of Operations

The functions of the Commission shall be advice to the Government on the National Policy relating to passenger transport services by omnibuses and grant passenger services permits for omnibus services in the specified area.

2.3 Employees Position.

The employees' position at the end of the year was,

1. Permanent cadre 142
2. Contract basis -
3. Consultants 14

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Auditor General’s Report
The Chairman
National Transport Commission.

Report of the Auditor General on the Financial Statements of the National Transport Commission for the year ended 31 December 2009 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the National Transport Commission for the year ended 31 December 2009 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 Section 13(1) of the Finance Act, No. 38 of 1971. My comments and observations which I consider should be published with the annual report of the Commission appear in this report. My report to be presented in terms of Section 13(7)(a) of the Finance Act was submitted to the Chairman on 31 March 2010.

1.2 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.
1.3 Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessments of accounting policies used and significant estimates made by the management in the preparation of financial statements, as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. Sub section (3) and (4) of the Section 13 of the Finance Act No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extend of the audit.

2. Financial Statements

2.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the National Transport Commission had maintained proper accounting records for the year ended 31 December 2009 and except for the effects on the financial statements of the matters referred to in paragraph 2:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the National Transport Commission.
as at 31 December 2009 and the financial results of its operations and cash flows for the year then ended.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

Non compliance with Sri Lanka Accounting Standards are given below.

(a) Sri Lanka Accounting Standard No. 18

Provision of Rs.2,787,611 had been made during the year under review for the fully depreciated assets amounting to Rs.12,326,443 without considering the life span of the assets.

(b) Sri Lanka Accounting Standard No. 24

Although the accounting policies adopted in respect of government grant should be disclosed, the government grant for the year under review had not been disclosed in the financial statements in terms of the Standard.

2.2.2 Accounting Deficiencies

The following observations are made.

Provision for accruals had not been made for a sum of Rs.1,015,321 payable for the “City Liner” bus service for the year 2009.
2.2.3 Unreconciled Control Accounts

According to the statements of final accounts, the total of the 2 control accounts amounted to Rs.47,542,782 whereas according to the relevant subsidiary records submitted for audit the total of those accounts amounted to Rs.45,741,569 thus, indicating a difference of Rs.1,801,213.

2.2.4 Lack of Evidence for Audit

The debtors and creditors balances as at 31 December 2009 amounted to Rs.2,943,505 and Rs.1,533,308 respectively and it was unable to satisfactorily verify them due to non submission of confirmation letters for audit.

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

The following non-compliance were observed.

<table>
<thead>
<tr>
<th>Reference to Laws, Rules Regulations and management Decisions</th>
<th>Non-compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Section 11 of the Finance Act, No. 38 of 1971 and Paragraph 8.2.2 of the Public Enterprises Circular No. PED 12, dated 02 June 2003</td>
<td>A sum of Rs.17,696,087 had been invested in the fixed deposits without the concurrence of the Minister of Finance and the approval of the Minister in charge of the subject.</td>
</tr>
<tr>
<td>(b) Circular No. 393/1, dated 26 February 2001 of the Secretary of the Finance and Planning and the Secretary to the Treasury.</td>
<td>A conference for giving awareness to the Directors of the Companies was held for two days at a hotel in Moratuwa by the Commission contrary to the Circular instruction and a sum of Rs.126,950 had been spent thereon.</td>
</tr>
</tbody>
</table>
A test check revealed that 9 Consultants and 3 coordinators had been appointed on contract basis from April 2008 to July 2009 for the posts not included in the approved cadre and a sum of Rs.4,100,797 had been paid as salaries and additional allowances for field duty and in this regard approval of the Department of Management Services had not been obtained. A daily allowances paid to them on the basis of their qualifications, experience and special skills had been decided by the Board of Directors. An allowance of more than the basic salary of the Grade I officers of the approved cadre had been paid to the Consultants who are the officers controlled by the Grade I officers. Similarly, it was observed that a sum of Rs.702,000 had been paid to two Consultants as fuel allowances.

3. Financial and Operating Review

3.1 Financial Review

3.1.1 Financial Results

According to the financial statements presented, the operation of the Commission for the year under review had resulted in a net loss of Rs. 8,188,186 as compared with
the corresponding net loss of Rs.7,715,382 for the preceding year thus, indicating a
detroration in the financial results by Rs.473,403.

3.1.2 Analytical financial Review

The following observations are made.

(a) The comparison of the government grant for recurrent and capital projects
for the year 2009 with the year ended as at 31 December 2008 had
indicated an increase of Rs.171,667,706 and it represented 131 per cent.
However, a sum of Rs.173,702,706 had been over spent during the year
2009 in respect of special project expenditure than the year 2008 and the
percentage of that increase was 170 per cent.

(b) The amount spent for the transport development activities had indicated a
decrease of expenditure by 96 per cent over the preceding year and that
decrease amounted to Rs.1,009,609. Commencement of various projects
during the year 2009 and accounting the expenditure under that were the
reasons for this decrease.

(c) A sum of Rs.341,394 had been over spent during the year 2009 over that
of the year 2008 in respect of laws and other expenditure and the
percentage of that increase was 93 per cent. The percentage of over
spending during the year 2009 in respect of other expenditure was 59 per
cent.
3.2 Operating Review

3.2.1 Identified Losses

The following observations are made.

(a) Although according to Section 3(vii) of Chapter V of the Administrative Regulations of the Commission dated 30 June 1994, the salaries for the month of December of the relevant year should be considered for the encashment of medical leave, the payments had been made for 134 officers including the cost of living allowances amounting to Rs.460,875 in addition to the salaries when making payments for those allowances.

(b) Although according to the agreement for sticking stickers estimated number of 3,099 buses of the Commission, the amount payable for sticking stickers to 3,252 buses should be Rs.193,172. a sum of Rs.242,210 equal to 125% of the contract value had been over spent in this payment contrary to the tender condition.

3.2.2 Unsettled Transactions

The following observations are made.

(a) The Project for widening the road at the round about in Bambalapity had been completed by the Colombo Municipal Council during the year 2007 from the grants amounting to Rs.13,650,000 received by the Commission for this project. and after observing several defects those defects had been rectified during the year 2009. The total payment for this Project amounted to Rs.12,626,825. Action had not been taken up to end of February 2010 to remit the balance amounting to 1,023,175 from the above grant to the Treasury. The Chairman informed that it was planned to
complete further activities in respect of this project and the balance amount would be remitted to the Treasury after taking decision in this regard.

(b) Although it had been brought to account that a sum of Rs.48,500,000 receivable from the Treasury from the expenditure made for 06 projects out of the projects implemented by the Commissioner and other payments a sum of Rs.25,000,000 only had been received from the Treasury up to 30 April 2010.

3.2.3 Budgetary Control

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Significant variances were observed between the budgeted figures and the actual figures, thus the budget had not been made use of as an effective instrument of management control.

4. Systems and Controls

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of controls.

(a) Project Accounting
(b) Strategical Planning
(c) Budgetary Control
(d) Debtors and Creditors
(e) Conducting Training Courses for Drivers and Conductors

S. Swarnajothi
Auditor General