

ANNUAL REPORT

2011

SRI LANKA TRANSPORT BOARD

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VISION

The excellent transport provider in the region.

MISSION

To provide the public a safe, dependable and comfortable road passenger transport at a reasonable fare system through a staff dedicated to service and obtain the maximum utilization of all resources functioning as a financially viable organization.

AIMS & OBJECTIVES

1. To Promote a qualitative and quantitative and efficient and effective bus service through 12 Regions by monitoring, coordinating and counseling.
2. To provide a satisfactory bus service to school going children.
3. To provide bus services on uneconomic routes which are neglected by private operators due to pecuniary considerations.
4. To provide long distance services to remote areas from Central Bus Station, Pettah.
5. To coordinate the public and the private sector transport agencies.
6. To coordinate bus services during festivals, special events, Parliamentary/ Provincial Council elections etc.
7. To transport mails and newspapers.

8. To coordinate between General Treasury, National Transport Commission, Provincial Councils, relevant Ministries and other related agencies with regional offices for operation of buses.
9. To provide well trained and disciplined drivers from SLTB Driver Training Schools .
10. To conduct seminars/ Workshops for drivers, conductors, mechanics and supervisory staff.
11. To provide units/ sub units produced by Provincial Workshops to Depots.
12. To provide season tickets to adults and students at attractive discounted rates.
13. To maintain a Transit Stores at S.L.T.B Head Office, Narahenpita for issue of critical spare parts to Provincial Workshops.
14. To conduct security investigations, Flying Squad checks etc. in Depots.

INTRODUCTION

All aspects of transport, no doubt are vital for the economic development of the country. This is specially so, in the case of road passenger transport. In a developing country like Sri Lanka bus services plays an important role in connecting towns and villages and thereby linking the whole country.

Bus services in the Island provided by about 80 operators who totally operated about 1200 routes and 3532 registered buses were nationalized by Motor Transport Act No 48 of 1957 on 1957.10.31 and consequently the Ceylon Transport Board (C.T.B) came into being on 1958.01.01

Since then up to 1977 C.T.B enjoyed a monopoly status with regard to road passenger transportation. In 1978 C.T.B was decentralized into 10 Regional Transport Boards coordinated by the Sri Lanka Central Transport Board by Transport Board Law No 19 of 1978.

The Government was of the view that decentralization of C.T.B. would serve the needs of the travelling public more efficiently and effectively as smaller units were expected to be more sensitive to local and regional needs and be capable of providing quicker solutions to local transportation problems.

However, in response to continued escalatory deficits being incurred by CTB and its inability to meet the ever increasing passenger demand generated by the new concept of liberalization of the economy the private sector was permitted to enter road passenger transportation.

The Government with a firm belief in privatization earmarked C.T.B for peoplisation as part of a public sector restructuring. The above conversion was carried out under the Conversion of Public Corporations or Government Owned Business Undertakings into Public Companies Act No 23 of 1987. Each of the 93 Transport Board depots existing at the time of peoplisation became separate Limited Companies with governance by a Board of Directors chosen mostly from the employees. Half the number of shares was distributed among the employees and the balance was retained with the General Treasury. The peoplisation Program commenced in 1990 and concluded in 1993. As peoplisation was implemented in a haphazard method the desired results were not achieved.

Therefore in 1997 Bus Companies were clustered by an amendment to the NTC Act No : 37 of 1991 and the Cluster Bus Companies were formed but this, too, failed to achieve the desired results. Excess staff, serious breakdown in discipline, unfair competition, social obligations, lack of professionalism, inefficiency, escalation of operating costs, political and trade union undue interference, rampant corruption are some of the maladies that affected the Cluster Bus Companies.

In order to find a solution to the above problems the Sri Lanka Transport Board was established effective from 2005.10.19 by SLTB Act No : 27 Of 2005.

MESSAGE FROM THE CHAIRMAN

As an organization which renders a satisfactory service to the general public, the purchase of 100 buses on a leasing basis in the year 2011 to cater to the travel comforts was an investment in the right direction. The main aim of this project was to deploy these buses on more profitable routes to serve the travelling public and at the same time to earn better revenue.

Another success in the year 2011 is the possibility to increase the waybill revenue by supplying depots with more passenger ticket machines with GPRS technology.

It was possible to reduce the expenditure on the purchase of spare parts by depots and the Provincial Workshops of the Sri Lanka Transport Board to a considerable extent by purchasing spare parts tax free. This was a long felt need and became a reality only now.

It is gratifying to note that at the beginning of the year 2011 several depots of the Sri Lanka Transport Board were performing well. With the bus fares increase by 7.6% from 2011.07.01 the situation improved further.

The price of diesel was enhanced by Rs. 8/- per litre from 2011.07.01 resulting in the increase in the cost of diesel per Km by Rs. 2/35/=. This was an unbearable expenditure to the SLTB.

The buses could not be maintained properly and therefore comparatively there was a drop in the operative fleet in 2011 by 84 buses to 4356 as against 4440 in the year 2010. This was due to the reduction in the financial assistance given by the General Treasury in the last few years and also to the reduction of legal dues to the SLTB legally. It should be noted that this does not augur well. There was a considerable drop in the daily operated kilometers as well and in any case the year 2011 will be remembered as an year in which it was not possible to render a satisfactory bus service.

To plan for a prosperous future the participation of all stakeholders is necessary and it is hoped that all will work as a team with dedication for the betterment of this organization.

RamalSriwardana
Chairman
Sri Lanka Transport Board

Planning and Development Section

1. Preparation of an Annual Action Plan.
2. Preparation of a Corporate Plan for the forthcoming five years.
3. Monitoring and correcting the Profit and Loss statements.
4. Compilation of quarterly progress reports.
5. Compilation of a monthly report regarding season tickets.
6. Compilation of a quarterly statement of liabilities.
7. To supply required information to the annual report of the Central Bank.
8. To refer required information to the Ministry of Transport for preparation of the Annual Budget.
9. To supply required reports to the top management for decision making.
10. Preparation of reports sought by the Ministry of Transport and other State Institutions.

Internal Audit Division

During the year 2011 audit quires numbering 1022 were issued and out of these the amount to be recovered is Rs 14,238,062/=.

Secretariat

In the year 2011 as shown below 11 meetings of the SLTB Board of Directors were held and submission of relevant Board Papers, recording of the decisions and referring of such decisions for relevant officers for implementation were carried out accordingly.

1 st meeting	- 2011/02/15
2 nd meeting	- 2011/03/15
3 rd meeting	- 2011/04/05
4 th meeting	- 2011/06/24
5 th meeting	- 2011/07/27
6 th meeting	- 2011/08/26
7 th meeting	- 2011/09/15
8 th meeting (special)	- 2011/09/21
9 th meeting	- 2011/10/24
10 th meeting	- 2011/11/24
11 th meeting	- 2011/12/20

Tender Board

Ser No	Date	Subject	Progress
01	2011/01/10	Tender for obtaining 20 vehicles for the SLTB.	Tender approval was obtained and purchased.
02	2011/04/18	Purchase of required printed forms for all SLTB depots Stock register of season tickets (O-80) Standby register of drivers/conductors (O-78) Overtime register (A-147) Details showing loss of tickets (O-31) Details showing spare parts handed over when units and sub units are reconditioned (S-74) Statistics regarding Km., fuel and oils used monthly (ER-27) District/depots stores issue requisition form	Tender approval received
03	2011/04/18	Tender for condemned buses of Uva/Sabaragamuwa regions.	Completed
04	2011/05/31	Tender for the procurement of 11 new vehicles for the SLTB Driver Training Schools	Tender approved and purchased.
05	2011/06/02	Printing of required printed forms for all SLTB depots Store credit forms (S-32) Battery cards (ER-125) Traveling forms (A-09) Waybill shortage of conductors (R-20) Salary particulars of employees going on transfer (A-32)	Tender approved and purchased.
06	2011/08/16	Calling for quotations to obtain necessary equipment for Kaludawela Provincial Workshop/ Eastern Provincial Workshop/Northern Region/Metro Region	
07	2011/11/09	Calling for quotations to obtain a machine to detect counterfeit currency for SLTB Orugodawatta Fuel Filling Station.	Approval obtained

Security Section

- To provide security for all institutions belonging to the SLTB throughout the island.
- To investigate all written complaints made to the SLTB Regional Offices, Depots, Sub depots, Provincial Workshops and the Driver Training Schools and also the written complaints by the travelling public.
- About 136 investigations were carried out in 2011.
- To provide security on a daily basis when cash is paid by sureties in SLTB cases and to the financial transactions of the Head Office.
- To distribute travel passes to all employees of SLTB workplaces including the SLTB Head Office.
- Provide security to important SLTB places and to distinguished persons, vehicle parking and controlling and monitor all supplies and issues to relevant agencies.
- To provide security to institutions belonging to the Ministry of Transport such as Motor Traffic Department, Ministry of Transport, National Transport Commission and the National Transport Medical Institute and thereby earn income.

Special Investigations Unit

- The number of written complaints received for investigation from 2011 January to December = 120
- The number of files completed as at the end of December 2011 = 80
- Investigations in progress = 40
= 120

Commercial and Supplies Division

Ser No	Name of Project	Progress
01	Supply of spare parts purchasing on a tax relief basis	There is continuous supply of spare parts through the approved supplier with the approval of the Tender Board
02	Stocking and stock controlling	Continued according to the requirement.
03	Purchase and supply of tyres and tubes	According to the necessity tyres worth Rs. 428 Mn were procured and supplied through the Head Office in 2011.
04	Purchase and supply of batteries	According to the necessity batteries worth Rs. 59 Mn were purchased and supplied in 2011.
05	Printing and issuing of Season tickets	According to the necessity Season tickets were printed and supplied in full in 2011
06	Purchase and issue of office equipment and stationery	Required stationery and office equipment for Head Office have been purchased and supplied in 2011
07	Preparation of computerization program for stock controlling in Regions/ Depots and Provincial Workshops.	In addition to the prevailing computerization program, Information and Technology Section commenced a new computerization program and the required data of the main stores and the basic activities are being computerized.
08	Disposal of unusable spare parts in terms of the decision taken at the discussion held on 2011/05/31 about the position of production at Provincial Workshops and all Regional levels.	Relevant spare parts found to be unusable according to the recommendation of the Board of Survey have been brought from Regions/ Workshops to SLTB Katubedda Central Stores for sale.
09	Disposal of items assembled as at now	Sale of scrap materials of the Northern Region has been completed. Tenders have been called for the sale of scrapped items of Uva region and in respect of other Regions action has been taken to assemble the scrapped items of the respective Regions in one place and to obtain a report from a Board of Survey.

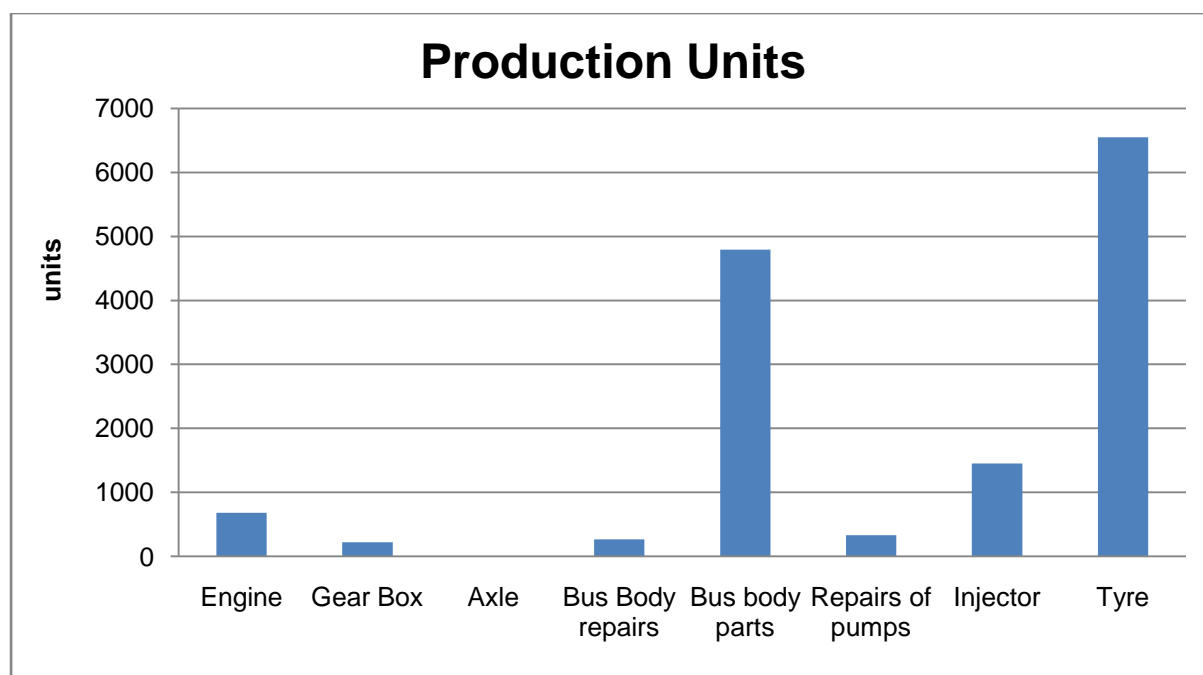
Operations Division

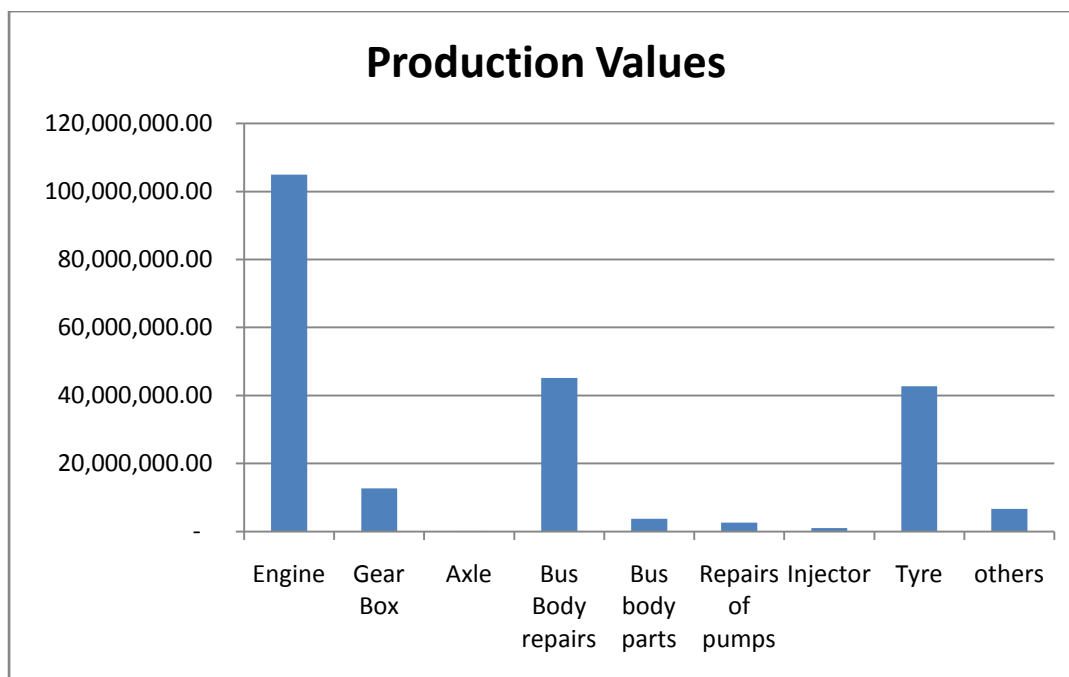
No	Objective	Program	Details
01	To enhance operational activities through a strong fleet	Establishment of Mullaitivu Depot	Routes up to Mullaitivu to Mankulam via Mulankavil/ Mullaitivu – Mankulam via Jaffna/ Mullaitivu – Mankulam/ Mullaitivu –Vavunia/ Mullaitivu –Muthaiyankaddu/ Mullaitivu –Mankulam via Thunukkai are covered.
		Augmenting the current long distance services by deploying 500 buses obtained on a payment basis	In the first stage 100 buses were obtained on a payment basis. It was possible through these buses to open new services.
		Computerization of Operations Division statistics in coordination with the Information and Technology Unit	Action has been taken to facilitate obtaining statistical information through computers from depots belonging to Gampaha, Kalutara, NuwaraEliya, Kandy, Sabaragamuwa, Uva, Wayamba, Colombo, Ruhuna, North, East and Rajarata Regions.
		Extend the use of GPRS ticket machines up to 1000	To extend the use GPRS ticket machines up to 1000 by supplying them to depots belonging to Colombo/Wayamba/Gampaha Regions
		Extend Nisi Seriya services throughout the island	To extend bus services throughout the island to cover rural areas under the Nisi Seriya project
		To start new bus services according to the DeyataKirula Program held at Moneragala in 2011	Starting 07 new services, 19 SisuSeriya services and 17 Nisi Seriya services under the DeyataKirula Program held at Monaragala 2011
		Start new services under Sisuseriya	To start 43 services in the North/ Matara 10/ Monaragana new services 13, Wellawaya 2/ Bibile 1 under Sisuseriya program

Technical Division

Production value of work done through Provincial Workshops – 2011

<u>Unit</u>	<u>Qty</u>	<u>Value (Rs.)</u>
Engine	678	104,923,773.00
Gear Box	218	12,704,861.00
Rear Axle	5	190,419.00
Bus Body repairs	265	45,130,585.00
Bus Body Parts	4795	3,759,685.00
Repairs of Pumps	331	2,643,713.00
Injector	1452	1,009,914.00
Tyre	6549	42,703,830.00
Others		6,636,976.00





Flying Squad Section

Month	Team	No of inspections	No of buses inspected	Detected misconducts			No of fines	Referred to courts	Recovered passenger penalty Rs
				Season ticket frauds	Mis - conducts V	Others			
January	63	720	8861	80	307	8	275	-	86,809.00
February	69	601	8535	54	336	-	367	-	121,335.00
March	68	621	8883	79	283	-	340	-	112,829.00
1 st Quarter Total	200	1942	26279	213	926	8	982	-	320,973.00
April	102	883	9700	79	373	5	434	-	141,440.00
May	68	668	9328	68	389	5	467	-	145,435.00
June	59	858	10987	116	525	5	566	-	177,442.00
2 nd Quarter total	229	2409	30015	263	1287	15	1467	-	464,317.00

Half year Total	429	4351	56294	476	2213	23	2449	-	785,290.00
July	67	724	10698	129	519	4	559	-	182,945.00
August	66	764	10165	97	447	4	449	-	151,156.00
September	70	922	11066	83	428	4	463	-	153,086.00
3 rd Quarter Total	203	2410	31929	309	1394	12	1471	-	487,187.00
October	72	851	12697	99	440	5	580	-	188,540.00
November	78	887	12497	151	413	1	449	-	147,582.00
December	67	877	10958	115	363	1	396	-	133,780.00
4 th Quarter Total	217	2615	36152	365	1216	7	1425	-	469,902.00
Grand Total	849	9376	124375	1150	4823	42	5345	-	1,742,379.00

Training section

Progress report of the Training section - 2011 January to December

No	Project activities& aims		Present position and progress	Estimated/ allocated funds	Money spent as at now Rs.
1	To implement a Computer training program for storekeepers (2011.03.08 – 2011.04.07)	To impart comprehensive knowledge in the use of computers to storekeepers in all SLTB depots	Successfully trained 100 storekeepers in the SLTB in the use of computers	-	Nil
2	Conducting a series of lectures to relevant officers in charge regarding the procedure to be adopted in the shortage of waybill collections and the issue of official travel passes to Army/Air Force/Navy/ Police Forces	To recover the waybill shortage of 103 depots and also to train officers engaged in the issue of official travel passes to Army/Air Force/Navy/ Police Forces	The relevant officers in charge of all depots who participated in the program are trained successfully.	-	8,525/=

3	A training project to be implemented to new graduates who are recruited to the SLTB (2011.06.24 – 2011.09.24)	Graduates have been trained formally and released for SLTB duties.	35 new graduates have been trained for 03 months and they have been sent for training to depots. They are receiving further training there. Now they are released for 3 months for depot training.	-	158,319/=
4	Training program for Trainee Flying Squad Inspectors	To obtain optimum contribution in the performance of the official duties from the new Flying Squad Inspectors by giving them the necessary training from the Head office	2011.08.22 – 2011.09.23 Training has been completed and are engaged in official duties at Head Office	-	58,500/=
5	Training program of officers from Public Administrative Service (2011.12.09 – 2011.12.13)	To inform about normal activities of the SLTB	Training program was completed	-	386/=
6	Depot practical training program for new graduates (2011.10.01 – 2011.12.31)	To impart on the job training and monitor activities within the depot	The training was completed and now engaged in official duties in executive grades in depots and the head office.	-	Nil

Information and Technology Section

Progress report for the year – 2011 (January to December)										
No	Project process	Under the Treasury		Amount spent by the organization	Annual target	Physical progress		Financial progress		Remarks
		Allocated Rs. Mn	Received Rs. Mn			In detail	As a %	As value	As a %	
1	Implementation of Local Area network (LAN) project				Networking of all the computers in Head Office					

Media Section

Program to be implemented in the year – 2011

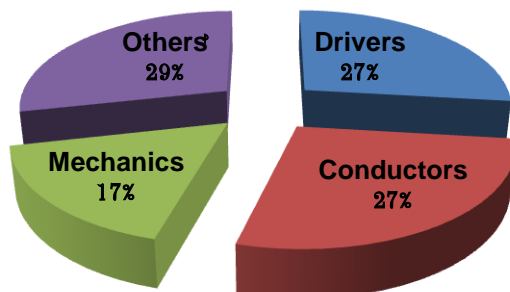
- Introducing an official Transport Newspaper by giving a new appearance to the “SLTB news” started in 2010 under a new name “NibadaSerisara” covering all the institutions under the Ministry of Transport. To release 04 volumes of this newspaper in the year 2011 and also to market it to employees of all Transport Institutions.
- To provide media coverage to special occasions of the SLTB and also to release special news to the media and contribute for the propaganda of such news.
- To preserve news items relating to the SLTB published in the newspapers and refer special news which should receive the attention of the respective Heads of Divisions to them.
- To contribute to publish in the relevant newspapers, advertisements regarding all tender notices and recruitments concerning the SLTB.
- To contribute to the increase of SLTB revenue by creating a positive attitude towards the SLTB among the general public by informing the media about the special projects to be implemented by the SLTB.

Human Resources Management Division

The manner in which Human resources were distributed for the year 2011 is as follows.

Driver	9202
Conductors	9373
Mechanics	5928
All other employees	<u>9760</u>
Total	<u><u>34,263</u></u>

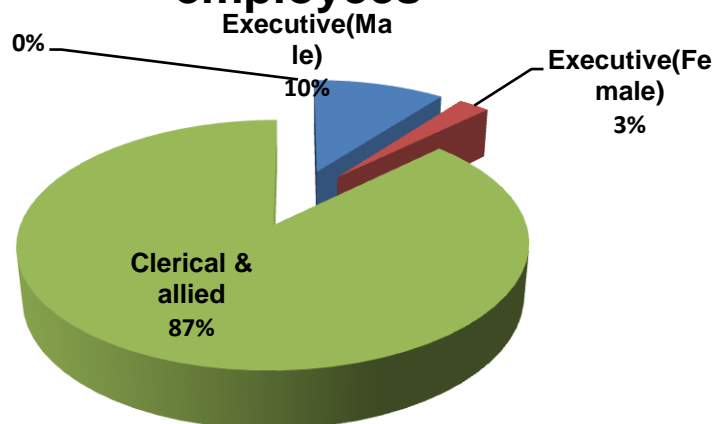
The main differentiation of employees



Configuration of other employees

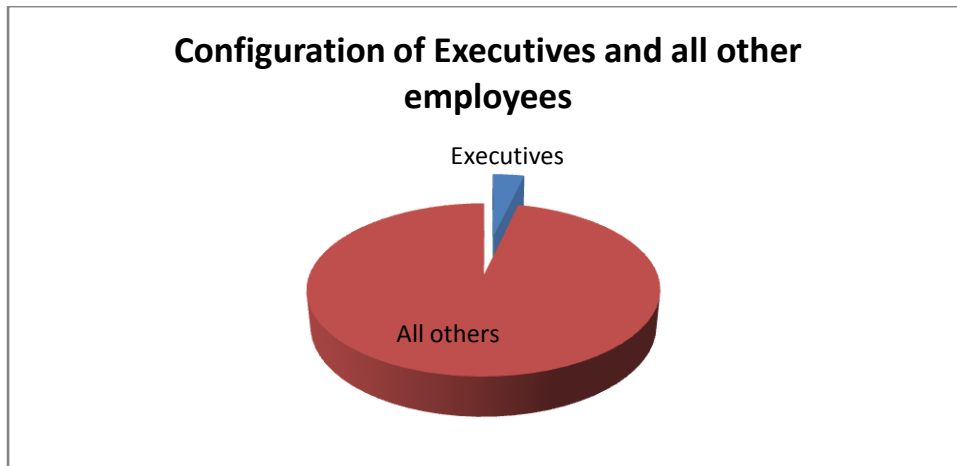
Executive (Male)	1003
Executive (Female)	240
Clerical and allied	<u>8517</u>
Total	<u>9760</u>

Configuration of other employees



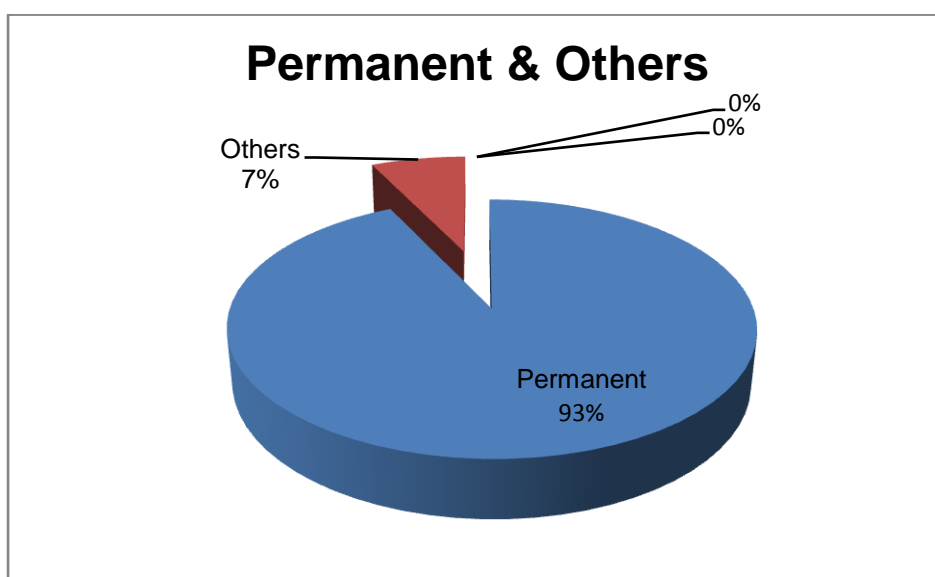
Configuration of Executives and all other employees

Executives	1243
All others	<u>33020</u>
Total	<u>34263</u>



Permanent and others

Permanent employees	- 31748
Casual/Contract/ Service extensions/Trainees	- <u>2415</u>
Total	- <u>34263</u>



Accounting Policies

1. The financial Statements have been prepared in accordance with “Sri Lanka Accounting Standard” and generally accepted Accounting Principles applied on historical cost basis and present the consolidated position after combining financial results of peripheral units of S.L.T.B.
2. Generally accepted accounting principles have been followed in the preparation of the Balance sheet Accounts of the Board and accounting policies have been applied consistently revenue and expenditure been accrued and recorded in the Financial Statements of the period to which they relate.
3. Fixed Assets have been shown in the Balance sheet at cost less depreciation. Capital work-in progress is not treated as fixed assets.
4. No depreciation is provided in the year of purchases and full depreciation is provided in the year of disposal. The provision for depreciation is calculated by using a straight line method at the following rates

Buildings	2.5%
Busses & Other vehicles	12.5%
Plant & Equipments	10%
Furniture & Fittings	10%
Computers	25%
Bus Engine	20%
5. Buses are obtained under the leasing facility scheme at a depreciation rate of 12.5% to be fully paid within 40 installments. Transaction is recorded according to the S.L.A.S.19.
6. In the Year 2005, Balance amount RS 16,982,028,664.00 of treasury share capital, capital resource and miscellanies which was written-off without the prior approval of the Board of Directors has been added back to the financial statements.
7. Erroneous balances which has been appeared for a long period of time in the final statements has transferred to unoperated accounts on the basis of write-off under the authority after an appropriate investigation in future time.
8. One month salary for every year of service to employees on retirement has been provided. This Position is prudent, fair and reasonable.
9. Provision for bad debts is calculated based on Receivables of income, Army hires, Police warrants and others at the rate of 5%.
10. Stock valuation is made on basis of First in First out (FIFO) method.
11. According to the SLAS 24, Government grant for Busses is recognized as Income and write-off over the 8 years period of its useful life time.



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கணக்காய்வாளர் தலைமை அறிவித் திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

RT/B/SITB/01/2011/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

30 April 2015

The Chairman

Sri Lanka Transport Board

Report of the Auditor General on the Financial Statements of the Sri Lanka Transport Board for the year ended 31 December 2011 in terms of Section 14 (2)(c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Sri Lanka Transport Board for the year ended 31 December 2011 comprising the balance sheet as at 31 December 2011 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 24 of the Sri Lanka Transport Board Act, No. 27 of 2005. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14 (2)(c) of the Finance Act, appear in this report. The report in terms of 13(7)(a) of the Finance Act will be issued in due course.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements 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 Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (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 extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

1.4 Basis for Adverse Audit Opinion

Had the matters described in paragraph 2.2 of this report been adjusted, many elements in the accompanying financial statements would have been materially affected.

2. Financial Statements

2.1 Adverse Audit Opinion

In my opinion, because of the significance of the matters described in paragraph 2.2 of this report, the financial statements do not give a true and fair view of the financial position of the Sri Lanka Transport Board as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



2.2 Comments on Financial Statements

2.2.1 Going Concern of the Institute

The net assets had eroded in a great extent and those had a negative value of Rs. 21,235.03 million by the end of the year under review as the Board had incurred losses continuously. As a result, it was observed that there was an uncertainty in the going concern of the Board without other financial assistance of the Treasury or the Government.

2.2.2 Accounting Standards

The following non-compliances are observed.

(a) Sri Lanka Accounting Standard 18

At the time of establishment of Sri Lanka Transport Board, assets of Sri Lanka Central Transport Board, Regional Transport Boards and Cluster Bus Companies had been vested with the Board. Provisions had been made at the rate of 2.5 per cent assuming Rs. 160.94 million as the cost of buildings representing 50 per cent of the total cost instead of being identified as lands and buildings separately and brought to account. However, it was observed that a sum of Rs. 12.16 million had been provided for depreciation, exceeding the assumed cost at the beginning of the year under review.

(b) Sri Lanka Accounting Standard 24

The amortization which should be made for sets of engines and buses received under the Government Provisions had been understated by Rs. 209.36 million.

2.2.3 Accounting Policies

The value of sets of engines purchased up to the year 2009 had been transferred to the Buses Account and the policy of making provisions for depreciation had been adopted at the rate of 12.5 per cent by the Board. However, sets of engine valued at Rs. 1004.48 million purchased in the preceding year and 03 previous years had not been included in the Buses Account and identified as a separate asset and shown in the financial statements separately. The provisions had been made for depreciation at the rate of 20 per cent for this purpose. As such, the Board had not adopted a consistent Accounting Policy.



2.2.4 Accounting Deficiencies

The following observations are made.

- (a) The accuracy of the Cash Flow Statement presented along with the financial statements could not be ensured in audit due to the following matters.
 - (i) Even though the provisions made for depreciation for the year had been Rs. 1,061.01 million according to the Profit and Loss Account, it had been adjusted as Rs. 271.82 million in the Cash Flow Statement.
 - (ii) In computing the cash flow generated from operations of the Board, prior year adjustments not taken into consideration for computing the net profit amounting to Rs. 15,592.37 million and rectifications of Rs. 4,805.83 million had been included in the Cash Flow Statements.
 - (iii) The adjustments had not been made for amortization of Rs. 1,443.99 million relating to assets received under Government Grants not brought to account in the year under review and the preceding years but brought to account in the year under review.
 - (iv) Even though fixed assets valued at Rs. 1,875.67 million had been acquired during the year under review, only a sum of Rs.1,237.26 million had been shown under investment activities. Even though a sum of Rs. 25.39 million had been received by the sale of buses, it had not been shown as a cash flow generated from investment activities.
 - (v) The financial expenditure of Rs. 111.2 million relating to operating activities had been shown under financial activities instead of being shown under operating performance.
- (b) The provisions for depreciation for sets of engines had been understated by Rs. 1.81 million due to computing errors.
- (c) Sets of engines and buses costing Rs. 642.72 million and Rs. 23.99 million respectively received as Government Grants during the 04 preceding years, had not been brought to account at the time of receiving those assets. Even though those



assets had been brought to account in the year under review, adjustments had not been made for depreciation amounting to Rs. 393.37 million for relevant preceding years.

- (d) Fourteen buses received from the Government to the Board in the year 2006 had been given to the Sri Lanka Army without being brought to account, out of which 10 buses had been returned to the Board during the year under review. However, action had not been taken to identify the values of those buses and brought to account even at that time.
- (e) The ownership of 10 buses granted to Depots in Jaffna and Point Pedro, registered in the name of the Governor of the Northern Province in the months of July and August in the year 2011 had not been vested in the Board, valued and brought to account.
- (f) In making adjustment for the profit on sale of 40 buses costing Rs. 21.84 million, sold during the year under review and 12 buses costing Rs. 7.77 million sold during the year 2009 but brought to account in the year under review, a sum of Rs. 1000 had been deducted from the cost of each bus instead of the value of accumulated depreciation made at the time of sale of buses, and the remaining had been adjusted as accumulated depreciation and as a result, the profit on sale of buses had been overstated by Rs. 1.88 million.
- (g) Four buses at a cost of Rs. 920,000 sold during the year under review had been condemned from 2 to 3 times and every time, the cost and the accumulated depreciation of buses had been transferred from the Buses Account and the Provisions for Depreciation of Buses Account to the Condemned Buses Account and the Provisions for Depreciation of Condemned Buses Account. As such, the Condemned Buses Account and the Provisions for Depreciation of Condemned Buses Account had been overstated by Rs. 1.08 million and Rs. 1.07 million respectively while the Buses Account and the Provisions for Depreciation of Buses Account had been understated by the same value.
- (h) Even though 05 Fixed Deposits valued at Rs. 9.65 million and 24 Saving Accounts valued at Rs. 73.52 million existed at the end of the year under review had been confirmed by the relevant banks, such an asset had not been included in the financial statements.



- (i) Instead of being taken the salary of the end of the year as a basis for the computation of provisions for gratuity in terms of provisions of the Payment of Gratuity Act, No.12 of 1983, the provisions for gratuity had been made on the basis of average salary relating to each Grade.
- (j) The value of travel passes issued on the basis of subsequent recovery of cash during the year under review had been understated by Rs. 271.76 million in the accounts while the income from travel passes receivable as at the end of the year under review had been understated by Rs. 191.85 million.
- (k) A debit balance amounting to Rs.8.34 million had been shown in the Sports Fund Account due to incurring expenses exceeding the amount in the Sports Fund by the Institute and it had been shown in the financial statements as a balance receivable to the Institute, without settling that balance.
- (l) In acquiring fixed assets belonging to 11 Cluster Bus Companies and 11 Regional Transport Boards amalgamated at the time of re-establishment of the Sri Lanka Transport Board, they had been acquired with a depreciated book value of Rs. 3511.34 million as at that date without a physical verification and a revaluation. However, these assets had not been revalued even by the end of the year under review and as such, the actual position of the value of fixed assets shown in the statement of financial position was not reflected. Similarly, current assets of Rs. 217.69 million and current liabilities of Rs. 369.04 million had been acquired without any valuation whatsoever and brought to account in the same manner.

2.2.5 Unusual Balances and Non-operating Balances

The following observations are made.

- (a) Even though unusual credit balances amounting to Rs. 87.37 million in the debit balance and unusual debit balances amounting to Rs. 222.52 million in the credit balance had existed for over a period of 05 years as at the end of the year under review, action had not been taken to identify it and to rectify the accounts.



- (b) Debit balances totalling Rs.9,867.88 million and credit balances totalling Rs. 26,885.38 million had existed in a number of unidentified and unreconciled accounts for a long period due to lack of proper supervision and weak internal control and the Board had failed to submit particulars of these balances to audit. These balances pertaining to assets, liabilities, income and expenditure had been shown the debit balance as assets and credit balance as liabilities in the statement of financial position in the year under review. As such, the actual position had not been reflected through the financial statements.

2.2.6 Unexplained Differences

The following observations are made:

- (a) According to the financial statements, the balance stock amounted to Rs.841.58 million and according to the stock verification reports presented to audit, the balance stock amounted to Rs. 390.40 million. As such, action had not been taken to identify the reasons for the difference of Rs. 251.18 million and to rectify the accounts. Under this circumstance, the uncertainty of whether the stocks which are not physically available had been shown in the financial statements cannot be ruled out in audit.
- (b) Even though the income received from sale of condemned buses in the year under review had been brought to account as Rs. 25.39 million, it had been Rs. 26.54 million according to the information obtained from the Procurement Division. According to the comment of the Chairman in this connection, the values shown in the accounts were correct. Nevertheless, reasons or explanations had not been submitted for this difference.
- (c) According to the financial statements, the value of 265 sets of engines received under Government Grants in the preceding year but brought to account in the year under review had been Rs. 361.76 million. However, according to the records of the store, it had been Rs. 341.75 million and as such, reasons had not been explained for the difference of Rs. 20.01 million.



- (d) According to the Books of the Treasury and the reports certified and forwarded by the Department of the Registrar of Companies, the share capital of the Treasury amounted to Rs.1,944.89 million. However, it was shown in the financial statements as Rs. 4,582.74 million thus indicating a difference of the equity by Rs. 637.85 million.

2.2.7 Lack of Evidence for Audit

Evidence shown against the following transactions was not made available for audit

Item		Evidence not made available
(a) Non-current Assets	(i)	Detailed Schedules on each asset to confirm the balances of lands and buildings, motor vehicles, condemned vehicles and other assets.
	(ii)	Register of Fixed Assets
	(iii)	Documentary Evidence to prove the Ownership of the lands and buildings
(b) Investments	(i)	Certificates relating to short term investments and fixed deposits valued at Rs. 25.53 million
	(ii)	Confirmation of balances relating to investments of Rs.282.60 million
(c) Miscellaneous Debtors	(i)	Schedules including the individual balances for Rs. 12.65 million.
	(ii)	Age Analysis for Rs.316.62 million
(d) Creditors	(i)	Schedules including the individual balances for Rs. 5.77 million.
	(ii)	Age Analysis for Rs.1,823.08 million



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| (c) | Bank Balance | (i) | Bank reconciliation statements for the bank balance of Rs. 15.42 million and the bank overdraft of Rs. 219.06 million |
| | Bank Overdraft | (ii) | Confirmation of balances for Rs. 10.33 million |
| (f) | Stock | (i) | Stock verification reports valued at Rs. 146.23 million |

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Out of the other receivable balances of Rs. 587.52 million as at 31 December 2011, an age analysis had been submitted only for the sum of Rs. 270.90 million relating to the Head Office and action had not been taken to recover this amount which had remained for over a period from 01 to 10 years.
- (b) An advance amounting to Rs. 86.88 million granted by the Head Office for purchasing had not been settled even for periods ranging from 01 to 12 months had elapsed. No follow up action too had been carried out in this connection.



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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions etc.	Non-compliance
(a) Finance Act, No.38 of 1971	
(i) Section (8)(1) and paragraphs 5.2.4 and 5.2.5 of the Public Enterprises Circular No. PED/12 of 02 June 2003.	The Budget presented to audit had not been approved by the Board of Directors.
(ii) Section (8)(3) and paragraph 5.2.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.	Even though the budget should be prepared in accordance with the financial statements presented, it had not been so done.
(iii) Section (11) and Paragraph 8.2.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003	Concurrence of the Minister of Finance and approval of the Minister in charge of the subject had not been obtained for investments totalling Rs. 503.52 million.
(b) Employees Provident Fund Act, No.15 of 1958 and the Rules and regulations of the Employees Provident Fund of the Board and Employees	Sums of Rs. 421.97 million and Rs. 1,446.82 million which should be credited to the Provident Fund of the Board and the Employees Provident Fund of the Central Bank of Sri Lanka respectively, had been retained by the Board without making payments on



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| Trust Fund Act, No. 46 of 1980 | the due date of each year. As the contribution of the Employees Trust Fund not credited at the end of the year amounted to Rs. 47.16 million, a sum of Rs. 6.83 million had to be paid as surcharge in the year under review. |
| (c) Section 4.2 of Chapter XXV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka | Three officers had been released from duty for union activities of 03 Unions with a number of members less than 1000 and a sum of Rs. 0.98 million had been paid as salaries and allowances for the first 07 months of the year 2011 for them. |
| (d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial Regulation 396(d) |

Hundred and fifty four outdated cheques valued at Rs. 8.42 million relating to 12 Banks belonging to the Board had not been taken to income and account as a payable amount. |
| (e) The Letter of Deputy General Manager (Technical) No. SLTB/HO/GM(T)2010/18 of 12 July 2010 | Even though instructions had been given to remove 143 buses sent to the Wesco Company from the fleet of vehicles, it had not been so done. |

2.5 Unsettled Transactions

The following observations are made:

- (a) Even though the Department of Public Enterprises had granted approval on 30 July 2002 to carry out a complete examination relating to non-moving assets and liabilities at the total value of Rs.1,221.31 million and to write off from the books on the knowledge and approval of the Board of Directors, action had not been taken accordingly in respect of these assets and liabilities.



- (b) The difference of receipts amounting to Rs. 11.40 million and the difference of issues amounting to Rs. 18 million disclosed in comparing the receipts and issues of the Stock Control Account maintained by the Accounts Division in line with the store of the Head Office, with the receipts and issues of Bin Cards of the store, had not been settled.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the Sri Lanka Transport Board had incurred a loss of Rs.7,691.48 million for the year ended 31 December 2011 whereas that loss had decreased up to Rs.2,337.62 million due to the grants of Rs.5,353.87 million received from the Treasury. The corresponding loss for the preceding year amounted to Rs.7,736.85 million whereas that loss had decreased up to Rs.2,120.39 million due to the grants of Rs. 5,616.46 million received from the Treasury. The financial results for this year had indicated a deterioration of Rs.217.23 million as compared with the preceding year. Decrease of Government Grants by 4.7 per cent and increase of operational expenditure by 5.4 per cent had mainly attributed for this deterioration.

3.2 Legal Action Instituted Against/ by the Institution

The following legal action whatsoever had not been disclosed in the financial statements.

- (a) External institutions and individuals had filed 697 cases for gratuity for which the value was not mentioned, in the Courts against the Board. Out of 12 cases filed in respect of accidents occurred during duty hours, a compensation of Rs. 2.48 million had been claimed for 08 cases and out of 28 cases filed in respect of accidents by other external individuals, a compensation of Rs. 47.74 million had been claimed for 26 cases.
- (b) The Board had filed 10 cases in the Courts against 10 external institutions in respect of accidents caused to buses claiming compensation totalling Rs.4.19 million.



4. Operating Review

4.1 Performance

(a) Running of Buses

According to the information and data presented by the Planning and Research Division, the following observations in respect of performance on running of buses of the Board are made.

- (i) The total number of buses owned by the Sri Lanka Transport Board at the end of the year 2011 had been 7821 and the actual requirement of buses according to the time table had been 7131. However, the number of average buses provided by the Engineering Division for running per day during the year 2011 amounted to 4933, out of which the number of average buses run amounted to 4413. As such, the Board was able to fulfill only 62 per cent of the time table requirement. Even though an adequate fleet of buses existed to fulfill the requirements of time tables, 37 per cent of them had not been in running condition and this had attributed to the above position.
- (ii) Even though the approval of the Cabinet of Ministers had been granted to purchase 300 buses on credit basis with a view to increasing the fleet of buses during the year under review, only 162 buses were able to be purchased during the year. According to the running charts of 07 Depots subjected to the sample test, running in the 112 routes had been completely stopped in the year under review due to unavailability of adequate buses.



(b) Income, Expenditure and Profitability

According to the Accounts presented to audit, details in respect of income, expenditure and profits and losses in the current year as compared with the previous year are given below.

		2011	2010
<u>Income</u>			
Income received from Transport of Passengers	Rs. Million	15,085.14	14,558.37
Other Income	Rs. Million	2,079.97	2,575.97
Government Grants	Rs. Million	5,353.87	5,616.46
Total Income	Rs. Million	22,518.98	22,750.80
Income received from Transport of Passengers per Kilometer run	Rs.	44.26	42.62
Total Income per Kilometer run	Rs.	66.07	66.50
<u>Expenditure</u>			
Bus Operating Expenses	Rs. Million	19,176.17	18,480.34
Other Expenses	Rs. Million	4,319.07	4,408.09
Total Expenditure (Except Depreciation)	Rs. Million	23,795.54	22,888.42
Number of Kilometers run		340,840,718.00	341,617,984.00
Bus Operating Expenses per Kilometer run	Rs.	57.14	54.09
Total Expenditure per Kilometer run	Rs.	69.81	67.00
Operating Loss before Government Grants (Except Depreciation)	Rs. Million	6,630.43	5,754.08
Operating Loss after Government Grants (Except Depreciation)	Rs. Million	1,276.56	137.62
Loss per Kilometer run (Before Government Grants)	Rs.	19.45	16.84
Loss per Kilometer run (After Government Grants)	Rs.	3.74	0.40



The following observations are made.

- (i) In comparing the income received from transport of passengers with the preceding year, an improvement of 3.6 per cent had been shown. Nevertheless, the income of Rs. 42.62 received from transport of passengers per kilometer in the preceding year had increased to Rs.44.26 in the year under review. Further, the total income including Government Grants as well had decreased by 01 per cent and the total income of Rs. 66.60 received per kilometer in the preceding year had dropped to Rs. 66.07 in the year under review.
- (ii) Operational expenditure of buses had shown an increase of 5.4 per cent and operational expenditure of buses for the preceding year amounting to Rs. 54.09 per kilometer had increased up to Rs. 57.14 in the year under review. The total expenditure per kilometer run during the preceding year had been Rs. 67.00 in comparing with the total expenditure and it had been increased up to Rs. 69.81 in the year under review representing an increase of 4 per cent.
- (iii) The expenditure for direct expenses such as fuel and lubricant, tyres and tubes, repair of buses and spare parts of buses had been Rs. 10,186.01 million in the preceding year and it had increased up to Rs. 11,030.06 representing 8.3 per cent by the year under review. Nevertheless, the number of buses run had decreased by 186 or 3.6 per cent. As such, expenditure for one bus in the preceding year had been Rs. 1.99 million and it had increased in the year under review up to Rs. 2.24 million or by 12.5 per cent.
- (iv) Even though the entire loss of the Board in the year under review had been Rs. 3.74 per kilometer run, it had increased up to Rs. 19.45 excluding the Government Grants thus indicating increases of 40 cents and Rs. 16.84 respectively as compared with the preceding year.



4.2 Management Inefficiencies

The following observations are made.

- (a) According to the financial statements presented, advances amounting to Rs.8.3 million had been paid for the lands acquired at the time of peoplication of Bus Companies in the year 1958. The total value of lands had not been paid to the owners at that time and as a result, it was unable to vest the ownership of those lands with the Sri Lanka Transport Board. Action had not been taken to settle the advances paid by establishing the ownership of these lands and to register those lands in the name of the Board even up to the year under review.
- (b) Even though the buses used, should be converted into condemned buses before they are sold, the Board had not maintained adequate details in respect of condemning of buses. As such, it was unable to find out details in respect of condemning of 23 buses costing Rs. 19.82 million sold for Rs. 1.93 million in the year under review.
- (c) Even though a separate bank account had been opened for cash deposits and payments of the relevant loan installments for buses purchased on credit basis in the year 2011 on the due date from the money sent to the Head Office by the depots, a sum of Rs.83.89 million had been transferred from that Bank Account to the other Bank Accounts in the year under review for other payments irrelevant for payment of loan installments.
- (d) The tender relating to the purchase of buses on credit basis had been awarded to the relevant company on 20 January 2011. According to conditions of calling for bids, an agreement should be entered into with that company within 15 days of awarding the tender. However, agreements had been signed on 07 July 2012 only after the receipt of 291 buses out of 300 buses ordered at two instances by the Board.



- (e) Agreements had not been entered into with the relevant company even by the time of ordering of the buses under the second stage of purchasing buses on credit basis in the month of September in 2011. As such, the periods during which 200 ordered buses should be supplied, were not observed in audit and it had taken a period of 15 months up to December 2012 to receive the 200 buses to the Board in full.
- (f) Drivers and conductors had taken excess no pay leave annually without reasons and the depot authorities had not taken any action whatsoever to bring this situation under control other than recovering no pay from the salary. A number of 414 drivers and 407 conductors in 05 depots subjected to test checks in the year under review had taken no pay leave for 7210 days and 7899 days respectively. No disciplinary action had been taken other than recovering no pay from the salary and as such it had resulted in the decrease of income in the depots.
- (g) The income for the first 07 months of 2011 of the Drivers' Training School of Kalutara and the Drivers' Training Schools of Nugegoda and Moratuwa affiliated to it, had been Rs.7.38 million while the other expenditure including staff salaries amounted to Rs.17.73 million. As a sum of Rs.12.67 million had been provided by the Head Office as administration expenses to these institutions, the loss had been recovered. Providing of training had reduced in the years 2010 and 2011 due to reasons such as lack of Training Instructors, vehicles and other infrastructure facilities. Further, the income of the Drivers' Training School of Nugegoda relating to the first 07 months of 2011 amounted to Rs.0.24 million and the expenditure relating to that period amounted to Rs.1.56 million out of which a sum of Rs.0.69 million was payable to the National Transport Medical Institute as security services and building rentals.



4.3 Uneconomic Transactions

A sum of Rs.56.14 million had been paid as interest in the year under review for obtaining overdraft facilities by the Board. This is an increase of 32.3 per cent as compared with the preceding year.

4.4 Identified Losses

An agreement had been reached between the Chairman of the Board and the General Secretary of Parliament on the issue of travel passes to the Parliament staff. A loss had occurred to the Board as the General Secretary of Parliament had refused to make payments for issuing of passes, exceeding Rs.4.45 million than the agreed amount.

4.5 Resources of the Board given to other Government Institutions

The following observations are made:

- (a) A total of 83 employees of the Head Office had been released to Government Departments and Ministries, 75 of them on the basis of paying salaries by the Board and 08 of them on the basis of reimbursement of salaries from several years contrary to paragraph 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003. A total sum of Rs.30.45 million including salaries, all allowances and travelling expenses recoverable on their behalf had not been recovered from those institutions.
- (b) Three vehicles of the Head Office had been released to the Line Ministry and the Office of the Deputy Minister contrary to paragraph 8.3.9 of the aforesaid circular and 14 drivers to the Line Ministry and two drivers to two other Ministries had been released contrary to paragraphs 8.3.9 and 9.4.



4.6 Personnel Administration

The following observations are made:

- (a) An organization chart, a scheme of recruitments and promotions and an approved cadre for the Sri Lanka Transport Board had not been prepared and obtained the approval from the Department of Management Services in terms of Chapter 9 of the Public Enterprises Circular No. PED/12 of 02 June 2003.
- (b) Even though the Sri Lanka Transport Board had been established in the month of October in the year 2005, the cadre had not been approved even by the end of the year under review. At the time of the establishment of the Board, a proposed cadre had been prepared on the basis of 5.5 employees per bus on the assumption that the number of buses made to run would be 5500. Nevertheless, an excess of 3709 employees existed as the actual cadre of the Board was 34,263 as at 31 December 2011. The Chairman had informed the audit that this excess cadre had been made only for the essential staff due to retire in future as assumed for 6000 buses to be run.
- (c) Even though the proposed cadre of the Head Office and the Regional Offices are 606 and 955 respectively, there was an excess cadre of 311 and 270 respectively as the actual cadre was 917 and 1225. However, vacancies of 33 and 145 in the cadre existed respectively for the Drivers' Training Schools and regional workshops.
- (d) A scheme of approved cadre and a procedure in recruitment and promotion of employees had not been approved for the Sri Lanka Transport Board. As such a consultant had been appointed for restructuring the salary structure and paid a sum of Rs. 0.3 million for that purpose. However, the purpose of restructuring the salary structure for the Board had not been completed even by the end of the year 2014.



(e) Despite having vacancies of conductors and drivers in 06 depots which were subjected to sample tests, 28 conductors and 12 drivers had been engaged in other duties. Engaging drivers and conductors for duties in the office which are irrelevant for them in this way, had been one of the reasons for the reduction of the running of buses.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements for the year under review should have been presented for audit on or before 28 February of the ensuing year in terms of paragraph 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the financial statements for the year 2011 had been presented to audit only on 09 December 2013 after a delay of 01 year and 09 months.

5.2 Corporate Plan

A Corporate Plan had not been prepared for the years from 2011 to 2015 in terms of paragraph 5.1.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

5.3 Action Plan

Even though an Action Plan should be prepared clearly identifying the responsibility of the Management so as to enable to reach the goals and targets within the period planned in terms of paragraph 5.1.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the responsibilities of the Management and the period relating to it had not been clearly mentioned in the Action Plan presented.



5.4 **Procurement Plan**

The Board had not prepared a Procurement Plan in terms of paragraph 4.1.2 (a) of the Procurement Guidelines of 2006.

5.5 **Budgetary Control**

In comparing the budgeted figures with the actual figures, significant variances were observed ranging from 6 per cent and 205 per cent, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. **Systems and Controls**

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

- (a) Budgetary Control
- (b) Accounting
- (c) Control of Fixed Assets
- (d) Stock Control
- (e) Debtors and Creditors Control

W. P. C. Wickramaratne
Acting Auditor General