ANNUAL REPORT

2006

SRI LANKA TRANSPORT BOARD

Contents

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 and 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 private sector transport agencies.

6. To coordinate bus services during festivals, special events, Parliament/ Provincial Councils 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 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 Under takings 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 chose mostly from the employees with half the peoplisation Program was invoked 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, 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 0f 2005.

MASSAGE FROM THE CHAIRMAN

Year 2006 is indeed a remarkable year for the Sri Lanka Transport Board as it is the first year that followed the establishment of Sri Lanka Transport Board with the amalgamation of cluster bus companies, Sri Lanka Central Transport Board, Regional Transport Boards and other connected agencies. Once again the administration of all employees and the operation of the state bus service were vested in one institution, which was an expectation of all employees. From the point of view of the commuters they appeared to be impressed with the change and have built up confidence.

The establishment of the Sri Lanka Transport Board was a timely decision taken and it has led to the reconnaissance of the organization. Maintenance of buses in clean and neat condition, installation of proper destination boards, painting of all buses in red colour were salient features while the decision to abstain from displaying advertisements should the commended.

Special mention should the made regarding the desire and commitment of employees to provide a most satisfying ñclose serviceò to the public as the ñNation Travel Partnerò. This progress achieved gradually by the Sri Lanka Transport Board was the result of a collective effort of everybodyôs participation.

When commenting as the services offered to the general public it has to be mentioned that the operated kilometers per day in 2005 which had reached a very low level was considerably increased in 2006. This could be attributed to the establishment of the Sri Lanka Transport Board. Accordingly, the operated kilometers per day in 2005 which was 679,091 had been increased to 713,753 per day in 2006.

It is difficult to avoid the drop or increase in Way Bill Revenue concurrently with the change of operated kilometers per day. With the increase of 35,000 kilometers operated per day in 2006, when compared with that of 2005, Way Bill Revenue had increased by Rs.4.1 million per day. This is a considerable increase. By considering these facts it could be assured that the general public has highly appreciated the reputation of the Sri Lanka Transport Board.

This situation is indeed an encouragement to lead the organization for further development, whilst providing a dependable service to the general public. We should be determined to undertake the huge task of developing the organization and achieve the desired goals in the year 2007.

Shashi welgama
Chairman
Sri Lanka Transport Board

PLANNING & DEVELOPMENT DIVISION

Compilation of consolidated profit & loss statement after collecting annual profit & loss statements of all Depots and Regional Offices. Preparation of analysis reports based on these reports. At the main progress review meetings held by Chairman and General Manager with the participation of Regional Managers, these reports have been effectively utilized in making decisions for performance development of Depots.

Preparation of quarterly credit reports, Accident reports, Preparation of reports for subsidies for uneconomic routes and submission to National Transport Commission. Reports on Tyre consumption and tyre kilometer usage. Preparation of profit and loss statements of Driving Schools, Provincial Workshops and Circuit Bungalows. These reports have been useful in assessing the progress of these institutions and to proceed with further action on them.

INTERNAL AUDIT DIVISION

The number of internal audit queries issued during 2006 was 1001. The amount recoverable in this respect is Rs.7,275,224.81

SECRETARIAT DIVISION

The Board of Directors met regularly and 10 meetings of the Board were held during the year 2006.

TENDER BOARD

- Arrangements were made to invite tenders and procure printing requirements of the Depots and SLTB Head Office.
- Tenders were invited to procure office equipment required for SLTB Head Office and Depots and the approved prices were made available.
- Tenders were invited for motor spare parts needed for Depots and Provincial Workshops and the approved prices were made available.
- Tenders were invited for civil engineering works.
- Steps were taken for disposal of unserviceable scrap buses and other unserviceable scrap items.

SECURITY DIVISION

- ❖ Investigations were carried out on all written complaints and commuter complaints against all Regional Offices, Depots, Sub Depots, Provincial Workshops and Driver Training Schools, belonging to SLTB.
- ❖ Fire Extinguishing.
- ❖ 250 Investigations were carried out in 2006.
- ❖ Payment of security deposits for court cases of SLTB. Providing security measures daily when executing financial transactions of the Head Office.
- ❖ Free travel passes were issued to all employees attached to SLTB Head Office and other stations.

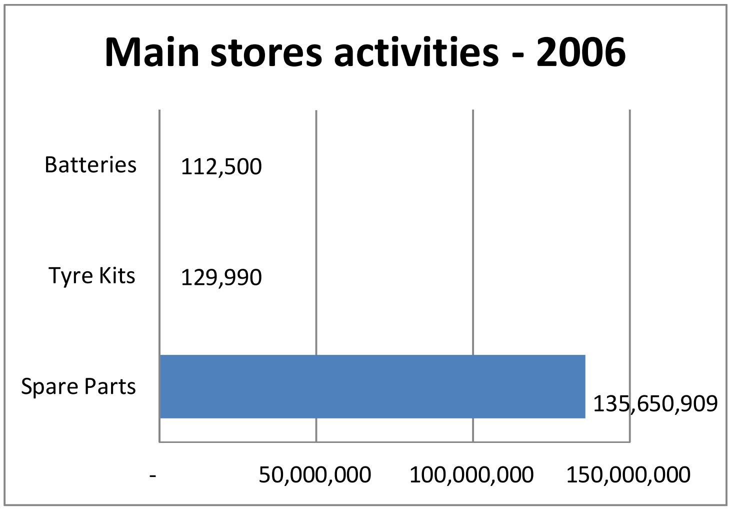
COMMERCIAL & SUPPLIES DIVISION

By 2006, all requirements of motor spare part, tyres and batteries for Regions and Provincial Workshops were issued by the Supplies Division of the SLTB. To implement this programme, the Main Stores at Head Office and Central Stores at Katubedda were utilized.

New Engine kits were specially stored and issued from Katubedda Central Stores.

The cost of spare parts issued to Regions, Depots and Provincial Workshops during the period under review is as follows.

Year	Central Stores Katubedda	Main Stores, Narahenpita	Total
2006	Rs.92,896,796.00	Rs .42,754,112.67 Spare parts Rs.129,990.00 Tyre kits Rs.112,500.00 Batteries	Rs.42,996,602.67

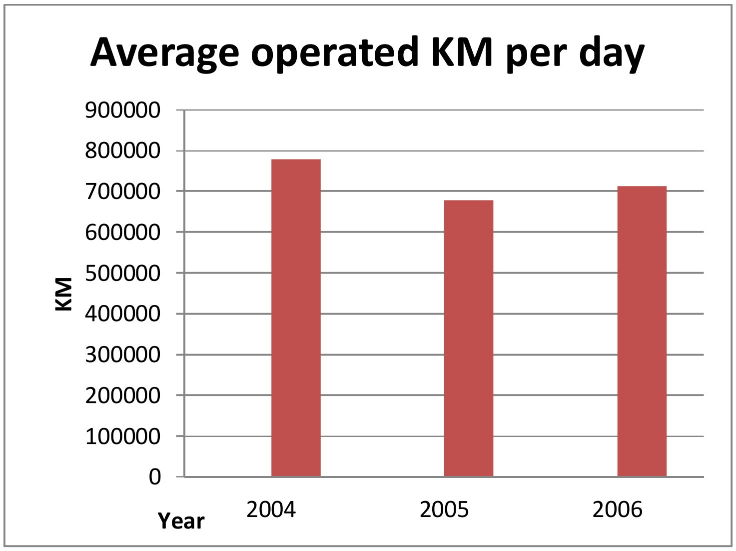


OPERATIONS DIVISION

Description	2004	2005	2006
Bus Fleet	8,436	8,455	8,852
Buses in operational condition	4,648	4,646	4,077
Buses operated	4,133	3,673	3,776
Buses operated as a percentage of the bus fleet that can be operated	88%	79%	93%
Buses operated as a percentage of the bus fleet	49%	43%	43%
Total no of kilometers operated	285,380,970	247,868,440	260,519,896
Gross revenue (Rs)	8,999,260,896	10,007,350,024	12,668,277,961
Way Bill Revenue	6,030,446,074	6,416,986,740	7,917,292,096
Way Bill Revenue as a percentage of the Gross Revenue	67%	61%	62%
Revenue per kilometer (Rs)	31.50	40.30	48.63
Expenditure per kilometer (Rs)	35.49	46.53	52.40
Profit /loss per Km (Rs)	-3.99	-6.23	-3.77

1. Kilometers operated per day

Year	Operated kilometers per day
2004	779,729
2005	679,091
2006	713,753

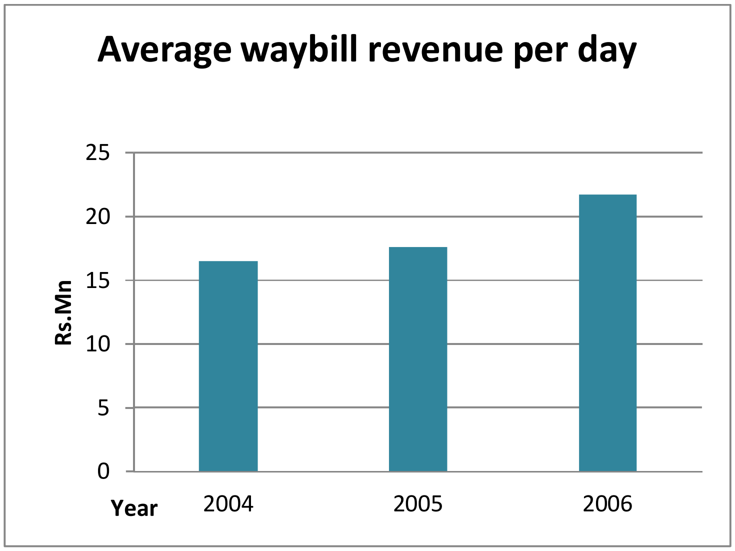


2. Kilometer utilization per day

Year	Utility per day
2004	Kilometers 189
2005	Kilometers 184
2006	Kilometers 189

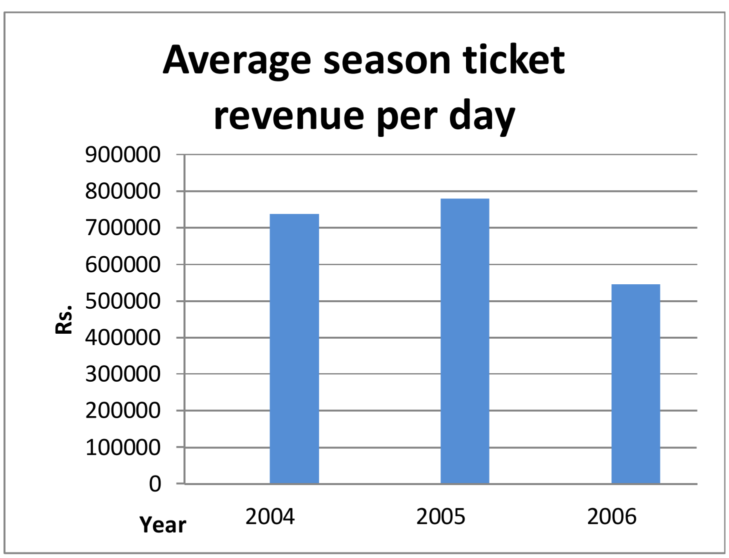
3. Waybill Revenue per day

Year	Average way bill revenue per day
2004	Rs.16,476,629
2005	Rs.17,580,786
2006	Rs.21,691,211



4' **Average Season Ticket revenue per day**

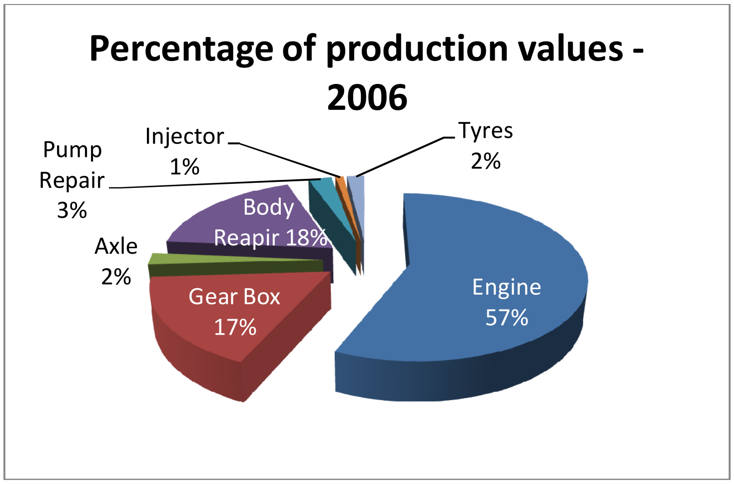
Year	Average Season Ticket revenue per day
2004	Rs.737,779
2005	Rs.780,646
2006	Rs.544,749

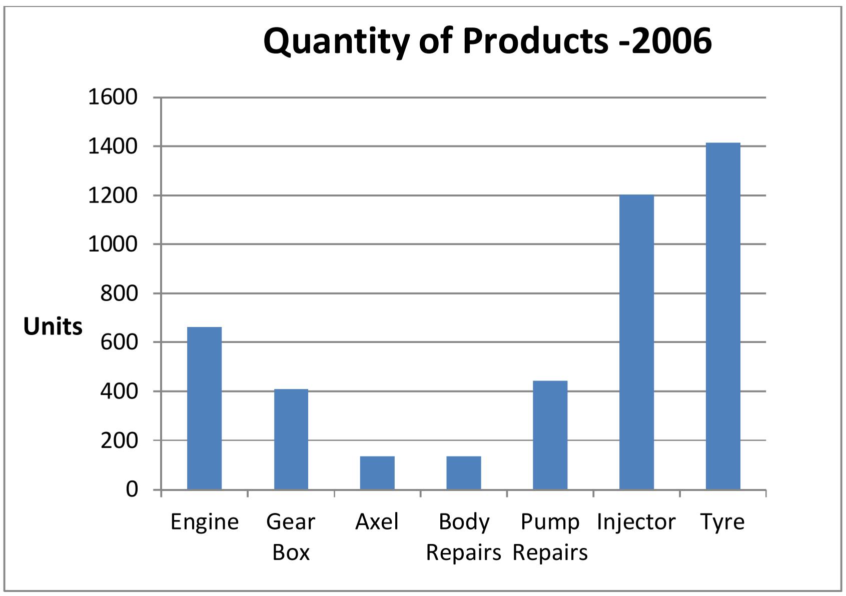


TECHNICAL DIVISION

Production value of work done through Provincial Workshops.

Category	Units	Value Rs.
Engine	663	69,615,000/-
Gear Box	411	18,289,500/-
Axle	135	6,750,000/-
Repairs to body of Buses	137	18,152,500/-
Repair of Pumps	442	3,094,000/-
Injector	1202	901,500/-
Tyres	1415	2,971,500/-
		119,774,000/-





Supply of New Buses

960 new buses were supplied in 2006.

FLYING SQUAD DIVISION

It has been estimated that at least 25% of the way bill revenue is misappropriated. Therefore special flying squad teams have been mobilized. The loss of revenue is shown from the following statistics.

Year	Severe frauds	Minor frauds	Fines collected from passengers who travelled without tickets
2006	1531	7609	Rs.2,082,980.50

Accounting Policies

1. The financial Statements have been prepared in accordance with Sri Lanka Accounting Standards 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.
   The Board occupies lands to the value of Rs' 23,190,343/=.The title of which has not yet been passed to the board, the full value of these lands is not shown under fixed assets, the payments on these land is shown as "advanced on Fixed assets" to the value of Rs. 8,299,517/=.

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%

5. Half month salary for every year of service to employees on retirement has been provided. This
   Position is prudent, fair and reasonable.

6. Provision for bad debts is calculated based on sundry debtors & Trade Debtors as per accounts Rs.1, 404,452,978.90 at the rate 5%.

7. Stock valuation is made on basis of First in First out (FIFO) method.

විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல / My No: ND/E/SLTB/FA/2006	ඔබේ අංකය / உமது இல / Your No.	දිනය / திகதி / Date: 06 December 2012

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 2006 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 2006 comprising the balance sheet as at 31 December 2006 and the income statement and 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 Section 14 (2) (c) of the Finance Act appear in this report. A report on the operations of the Board had already been presented to Parliament due to non presentation of financial statements for the year ended 31 December 2006 for audit within the specified period.

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 Generally Accepted Accounting Principles 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.

අංක 306/72 පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව
இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை
No.306/72, Polduwa Road, Battaramulla, Sri Lanka

දුරකථනය / தொலைபேசி / Telephone: 2887028 34
ෆැක්ස් අංකය / பக்ஸ் இல / Fax No.: 2887223
ඉලෙක්ට්‍රොනික් තැපැල් / மின்-அஞ்சல் / E-mail: oaggov@sltnet.lk

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Sri Lanka Auditing Standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraphs 2.2.4, 2.2.5, 2.2.6, 2.2.7 and 2.2.8 of this report I am unable to determine whether any adjustment might have been found necessary in respect of recorded or unrecorded items and the elements making up the income statement, statement of changes in equity and cash flow statement.

1.5 Incorporation

In terms of Section 7 of the Sri Lanka Transport Board Act No.27 of 2005 and the order of the Minister of Transport published in the Gazette Extra Ordinary No.1415/15 dated 19 October 2005, the above Act was enacted from 19 October 2005. Accordingly, Vavuniya Peoplized Bus Transport Services Limited, 11 United Peoplized Bus Companies and 11 Regional Transport Boards existed then had been vested to the Transport Board from that date. Similarly, action had been taken for vesting the assets of those institutions too.

2. Financial Statements

2.1 Opinion

Because of the significance of the matters described in paragraphs 2.2.4, 2.2.5, 2.2.6, 2.2.7 and 2.2.8 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Delay in Presentation of Financial Statements

Although the financial statements for the year under review should have been presented for audit on or before 28 February 2007 in terms of paragraph 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the financial statements had been presented for audit only on 21 February 2011.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) Confidence Insurance Security Deposit amounting to Rs.3,658,293 shown under noncurrent liabilities in the preparation financial statements for the period ended 31 December 2005 had been shown erroneously under current assets as a balance receivable for the year under review and as such working capital had been overstated by Rs.7,316,586. As a result of the erroneous accounting, the differences in the accounts had been transferred to the suspense account.

(b) Cluster Bus Companies established all over the country, all the Regional Transport Boards and Vavuniya Peoplized Transport Services had been liquidated in terms of the Sri Lanka Transport Board Act No. 27 of 2005. While vesting all the assets and liabilities of those institutions totaling of Rs.38, 531.069 million to the Board in terms of Section 33 of the above Act, those assets had not been revalued and confirmations had not been obtained relating to the liabilities.

(c) Provision for accumulated depreciation accounts had not been maintained relating to the fixed assets of the Eastern and Uva Regional Transport Boards totaling Rs.21,035,665 and the value of accumulated depreciation had not been correctly computed and transferred while vesting those companies to the Board. The Board had not maintained provision for depreciation account even after transfers were made.

(d) Although the value of lands and buildings of the Board had been shown in the final accounts presented for the year under review as Rs. 316.523 million, the value of lands and buildings had not been identified separately. However, provision of Rs.3.956 million had been made as depreciation for the year under review on the basis of straight line method of 2.5 per cent considering the value of lands as Rs.158.261 million being 50 per cent of the total value shown. The value of lands and buildings had not been entered in the Register of Fixed Assets. Any evidence relating to verification of those assets had not been presented for audit.

(e) Although a sum of Rs.8,295,899 received for 91 condemned buses sold in the year 2006 had been brought to revenue account but, information relating to the buses sold could not be found and such accounting entries necessary for computing Profits and losses from sale of buses had not been entered.

2.2.3 Unsettled Transactions

(a) Although a balance of Rs.33.310 million provided for goods with defects had been brought forward for several years, particulars of relevant goods had not been presented for audit. Consequently, it was unable to satisfy in audit relating to the correctness of the value of the stocks amounting to Rs.1,446.15 million shown in the accounts.

(b) Although advances should be settled immediately after completion of the activities for which it was obtained in terms of Financial Regulations 371, action had not been taken up to the end of the year under review to settle the miscellaneous advances amounting to Rs.798,223 and purchase advances amounting to Rs.4,095,073 as at 31 December 2005.

(c) The Board had requested approval from the Department of Public Enterprises in order to write off the account balances of Rs.1, 221.307 million in respect of dormant assets and liabilities. Although it was proposed to carry out a complete examination relating to above balance and write off the balances on the basis of knowledge and approval of the Board of Directors, action had not been taken accordingly.

(d) The balances of 05 accounts of assets and liabilities existed prior to 18 October 2005 amounted to Rs.735,590,503 and Rs.9,347,924,931 respectively and action had not been taken by the Board to carry out the examination and to settle even during the year under review.

(e) The balances of other non-current liabilities amounting to Rs.4,636,049,944 brought forward in the accounts had remained for more than 25 years. The Board had not taken action to verify and settle the above balances even during the year under review

2.2.4 Suspense Accounts

According to the main ledger, balances of 10 suspense accounts had been brought forward for several years. Of those balances, the debit balances of 3 accounts totaling Rs.27,943,918 and credit balances of 08 accounts totaling Rs.391,485,225 had not been settled even during the year under review.

2.2.5 Accounts Receivables and Payables

(a) Other receivable balances totaling Rs.1,845,086,728 had been brought forward from the previous years without recovering them and of this, balances totaling Rs.104,243,094 had been brought forward for 22 years period. Age analysis had not been submitted for rest of the balances amounting to Rs.1,740,843,634. The following matters were observed at the audit inspection relating to this loan balances.

(i) The balances of the miscellaneous debtors amounting to Rs.1,373,724,561 included in the balance of the other receivable had represented 74 per cent of the total value of the debtors and of this, 61 per cent represented debtors relating to the Head Office. Action had not been taken by the Board to cover the balances and any evidence relating to the above balance had not been submitted for audit.

(ii) Action had not been taken to recover a sum of Rs.4,360,523 receivable by the Board from the Lakthiva Engineering Company. Any documentary evidence had not been submitted in this regard.

(b) Creditors balances totaling Rs.4,671,629,313 had been included in the financial statements for the year under review and the following matters are observed in this regard.

(i) The opening balances of 10 creditors accounts relating to the Head Office remaining for more than 5 years totaled Rs.1,219,700,516 and the Board had not taken action up to the year under review to settle these balances. Primary books and documents relating to these balances had not been submitted for audit.

(ii) According to the financial statements presented, a sum of Rs.1,227,087 to be credited to the Employees Provident Fund remaining for several years had been shown under the creditors. However, action had not been taken even during the year under review to settle them.

2.2.6 Lack of Evidence for Audit

(a) Non- confirmation of Balances of Assets and Liabilities

Evidence shown against the following transactions had not been submitted for audit.

	Item	Value		Evidence not Submitted
	-----	--------		------------------------------
		Rs.		
(i)	Fixed Assets	13,808,944,429		Register of Fixed Assets
(ii)	Investments	148,896,232	(i)	Schedule showing the details

				of investments
			(ii)	Certificate for confirmation of balances
(iii)	Miscellaneous Debtors	1,845,086,728	(i)	Certificate for confirmation of balances.
			(ii)	Age Analysis
(iv)	Creditors	4,671,629,313	(i)	Details of individual accounts
			(ii)	Age Analysis

(b) Non- confirming the Physical Existence of Assets

Although physical verification had been carried out relating to fixed assets, stocks and other assets of the Depot, Regional Offices, Regional Workshops, Driver Training Schools and Circuit Bungalows, the Board had prepared the financial statements without considering the above reports. However, it was unable to satisfy in audit relating to the correctness of the balances of assets amounting to Rs.6,776,263,703 shown in the Balance Sheet.

(c) Vesting of Fixed Assets

Fixed assets at the depreciated value of Rs.3,141,290,735 as at 18 October 2005 relating to 11 Bus Companies and fixed assets at the depreciated value of Rs.370,045,232 relating to 7 Regional Transport Boards had been transferred whereas reports of the Boards of Survey or evidence to prove that the physical verification was done, had not been presented in this regard.

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

---

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a) Sections 33(2), (4) and 24of the Sri Lanka Transport Board Act No.17 of 2005	Although the examination of the Employees Provident Fund maintained by the Sri Lanka Transport Board should be carried out by an auditor or auditors appointed by the Committee with the approval of the Commissioner of Labour, evidence not submitted to prove that it was done accordingly.
(b) Statutes of the Employees Provident Fund of the Board and the Employees Provident Fund Act No.15 of 1958	Although the contribution for the Provident Fund recovered from the salary of the employees and the contribution of the Board thereon should be credited to the Fund before end of the relevant month, according to the financial statements as at 31 December 2006, sums of Rs.709.875 million and Rs.229.488 million including contributions for the year under review and the preceding years had not been credited to the Provident Fund of the Board and to the Employees Provident Fund maintained by the Central Bank of Sri Lanka respectively.

(e) Employees Trust Fund Act No.46 of 1980.	Although an amount equivalent to 3 per cent of the salary of the employees should be credited to the Fund by the Board before end of the relevant month, according to the financial statements as at 31 December 2006, a sum of Rs.52,646,971 including contributions for the year under review and the preceding years had not been credited to the Fund accordingly and also an age analysis had not been prepared in this regard.

3. Financial and Operating Review

3.1 Financial Review

3.1.1 Financial Results

According to the financial statements presented, the Sri Lanka Transport Board had incurred a loss of Rs.6,971,442,683 for the year ended 31 December 2006 while the above loss had decreased up to Rs.1,645,802,316 due to the grants of Rs.5,325,640,367 received from the Treasury. The profit obtained during the period of 73 days from 19 October to 31 December 2005 amounted to Rs.117,127,676.

3.1.2 Transactions of Contentious Nature

The following observations are made in this regard.

(a) According to the financial statements of the Board, share capital issued and employees share capital of 11 Bus Companies vested as at the date of incorporation on 19 October 2005 amounted to Rs.4,993,886,870 and it was Rs.4,356,035,020 according to the register of the Department of Registrar of Companies and as such a difference of Rs.637,851,850 was observed. Details are given below.

According to the register of the Department of Registrar of Companies :		
- Number of shares issued to the employees	41,114,447	
- Number of shares issued to the Treasury	394,489,055	
Total number of shares		435,603,502
Nominal value of shares at the rate of Rs.10 each.		Rs.4,356,035,020
Nominal value of shares as at 18 October 2005 according to the report of the external auditors.		Rs.4,993,886,870

Deference		Rs.637,851,850
		===========

(b) Out of the accumulated loss of Rs.25,771.692 million as at 31 December 2005, share capital and reserves totaling Rs.16,982.029 million appeared as at that date had been written off contrary to Accepted Accounting Practices and the approval of the Treasury and the Board of Directors had not been obtained in this regard.

(c) According to the final accounts prepared as at 31 December 2006, a value of Rs.35,751,493 in the work-in-progress Building Account had been brought forward from the year 1996 up to 18 October 2005 without any change. The balance of the works-in-progress account brought forward including the value of work- in-progress account amounting to Rs.7,705,028 for the year under review totaled Rs.43,456,521.

3.2 Operating Review

3.2.1 Management Inefficiencies

The following observations are made.

(a) An advance of Rs.8,299,517 had been paid for the lands acquired at the time of peoplization of Bus Companies in the year 1958. As a result of non-payment of the total value to the owners at that time, it was unable to vest the ownership of those lands to the Sri Lanka Central Transport Board. Owing to this reason, this amount paid within a period of more than 49 years had been shown in the financial statements as an advance. Action had not been taken even after the incorporation to find out the existence and ownership of these lands and make registration and settlement under Section 44 of the Land Acquisition Act.

(b) Four types of deposits totaling Rs.22,960,405 belonging to the Head Office had been shown in the financial statements without settling it within a period of more than 20 years since year 1985.

(c) Action had not been taken to settle a sum of Rs.3,403,534 recovered from the salaries of the employees of the Head Office and regional offices of the Sri Lanka Transport Board in the month of December 2004 and paid to the Tsunami Fund on settlement basis. A sum of Rs.537,781 had been recovered from the salaries of the employees to the above Fund and this amount had been brought to account as creditors.

(d) Sums aggregating Rs.139,432,115 recovered monthly from the salaries for three categories of loans obtained by the employees from the Provident Fund of the Board had not been remitted to the Fund in the previous years and during the year under review.

3.2.2 Idle and Underutilized Assets

Sums aggregating Rs.146,634,547 comprising the value of condemned buses and condemned other vehicles amounting to Rs.145,577,126 and Rs.1,057,421 respectively had been brought forward for several years whereas evidence had not been submitted to prove that action had been taken to dispose the above condemned vehicles or to repair again them.

3.2.3 Identified Losses

(a) A sum of Rs.1,018,730 had been paid as surcharge during the year under review through Regional Offices and Depots under the establishment and administrative expenditure due to not remitting the employees contribution to the Employees Trust Fund within the specified period.

(b) Sums totaling Rs.5,766,022 comprising Rs.5,765,022 and Rs.1,000 relating to Depots and Regional Offices respectively had been provided in the accounts as surcharges as at 31December 2006 due to not crediting the contribution of the Employees Provident Fund within the specified period.

4. Systems and Controls

Deficiencies observed during the course of audit were reported to the Chairman of the Institution from time to time and special attention is needed in respect of the following arrears.

(a) Fixed assets

(b) Stock control

(c) Debtors and creditors

(d) Maintenance of main ledger

(e) Confirmation and settlement of account balances

(f) Proper vesting of assets and liabilities of the institutions vested.

H.A.S.Samaraweera

Auditor General