# ANNUAL REPORT

# 2007

# 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 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.

## MESSAGE FROM THE CHAIRMAN

2007 could be considered as a year that has taken decisive steps towards the forward march of the Sri Lanka Transport Board. Appointment of officers a new, to all positions of the Board was a major achievement which enabled to line up performance of the Board and to adopt corrective measures. As a result of this decision made after completing about two years of interim period, since the establishment of the Sri Lanka Transport Board, all activities of the Board commenced to operate under a disciplined framework.

A General Manager, four Deputy General Managers and Divisional Heads to the Head office and Chief Regional Managers and other officers to Regional offices were appointed to the newly established Sri Lanka Transport Board, after inviting applications and conducting interviews. This is a commendable effort towards formalization of the organization.

766 new buses were added to the fleet in 2007 135 TATA engine kits and 135 Leyland engine kits were made available to repair and reactivate buses which were out of operation. It was possible to operate an increase number of buses than in 2005 and 2006. As a result 122,000 kilometers per day were operated in 2007 when compared with the year 2006. This can be considered as a victory of the common people.

Statistical evidence indicates that the performance of 2007 has reached a very high standard as a reward for the efforts of the common people. Way Bill Revenue per day had increased by Rs.7.6 million more than in the year 2006 which is a 35.02% increase. Season Ticket Revenue had increased by about Rs.439,000 per day more than in the year 2006 which is a 80.71% increase.

When the level of income started improving the Treasury grant approved through the budget was reduced. Capital Expenditure approved was less than Rs.629 million approved in the year 2006 and out of the approved amount only 83% was released. Recurrent expenditure approved was less than Rs.853 million approved in 2006 and only 96% was released out of the approved amount.

Accordingly, enhancement of the financial situation of the organization was a challenging issue. Satisfactory improvement in Way Bill Revenue and other sources of revenue was a victory. It is not such a difficult task to overcome these challenges, if the corporation of everybody is extended towards this effort.

Shashi welgama
Chairman
Sri Lanka Transport Board

## PLANNING & DEVELOPMENT DIVISION

Preparation of monthly summarized profit & loss statements pertaining to all Depots and Regional Offices and analysis statements based on same. Preparation of relevant reports for obtaining subsidies for uneconomic routes and submission to National Transport Commission. Preparation of reports for season ticket subsidies, quarterly credit reports, summarized reports on monthly profit and loss statement of Provincial Workshops, Driving Schools, and Circuit Bungalows. Preparation of reports and statistics required by Chairman and General Manager for their discussions, preparation of analyzed statistics and reports requested by the Ministry and compiling of reports required for discussions at the Senior Management Level.

The above mentioned reports have been extremely useful in identifying shortfalls, and management decision making for development of Depots.

## INTERNAL AUDIT DIVISION

The number of internal audit queries issued during 2007 was 1350. The amount recoverable in this respect is Rs.14,272,995.44.

## SECRETARIAT DIVISION

The Board of Directors met regularly during the year 2007. 15 Meetings were held inclusive of one Emergency Meeting.

## TENDER BOARD

- Action was taken to invite tenders and arrange for the purchase of printing requirements of the SLTB Head Office and Depots.
- 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 required by the Depots and Provincial Workshops and prices were made available.
- Tenders were invited for civil engineering works.
- Necessary steps were taken for the disposal of unserviceable scrap items.

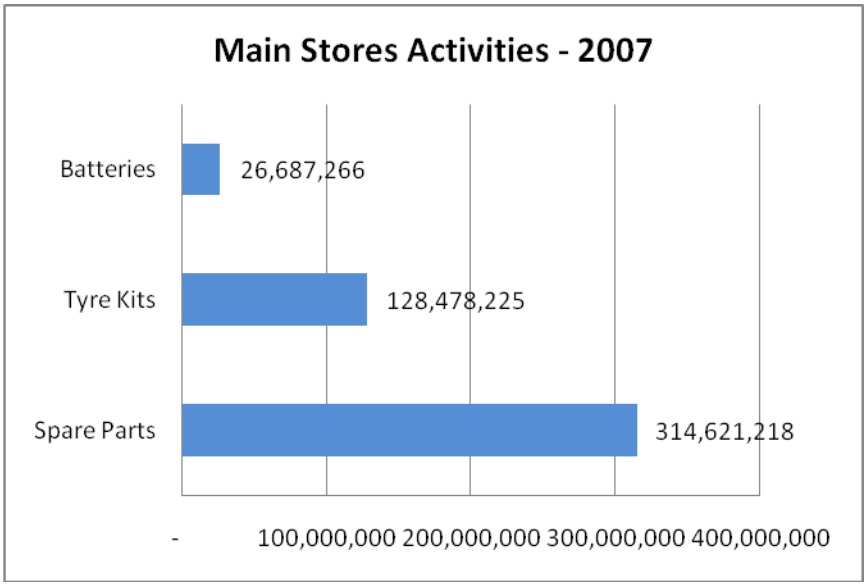
## SECURITY DIVISION

- Security safety and protection were provided to human and other resources belonging to all agencies under the SLTB.
- Provided security to distinguished persons and prominent places of the agencies under the SLTB Vehicle parking, controlling and supervision of all supplies issues to relevant agencies.
- Maintenance of fire extinguishing equipment belonging to all agencies under the SLTB and supervision of same.
- Direct issue of free travel passes to all employees attached to SLTB Head Office and all other stations.

## COMMERCIAL & SUPPLIES DIVISION

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

| Year | Central Stores Katubedda | Main Stores, Narahenpita | Total |
|---|---|---|---|
| 2007 | Rs.211,104,023.00<br><br>135 New Engine Kits have also been issued. | RS.103,517,094.86<br>Spare parts<br><br>Rs.128,478,225.00<br>Tyre kits<br><br>Rs.26,687,266.00<br>Batteries | Rs.258,682,585.86 |

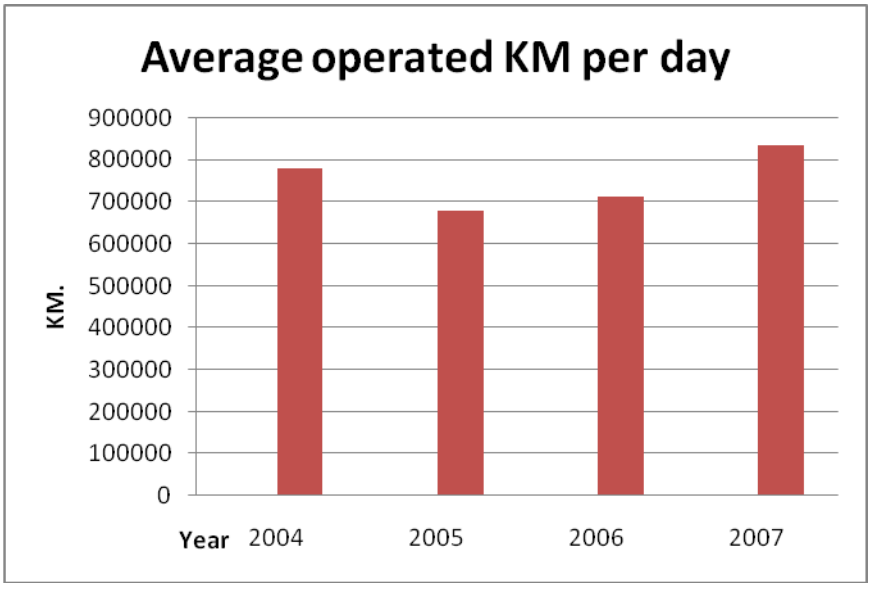


**OPERATION DIVISION**

| | |
|---|---|
| Bus Fleet | 8200 |
| Buses in operational condition | 4669 |
| Buses operated | 4116 |
| Buses operated as a percentage of the bus fleet that can be operated | 57% |
| Buses operated as a percentage of the Bus Fleet | 50% |
| Buses operated as a percentage of the bus fleet in operational condition | 88% |
| Total no of kilometers operated | 26193677 |
| Gross revenue | Rs.1,384,924,742/- |
| Way Bill Revenue | Rs.989,449,327/- |
| Way Bill Revenue as a percentage of the Gross Revenue | 77% |
| Revenue per kilometer | Rs.52.87 |
| Gross expenditure | 1,370,745,924/- |
| Expenditure per kilometer | 52.33 |
| Profit /(Loss) per Km(after depreciation) | (3.35) |

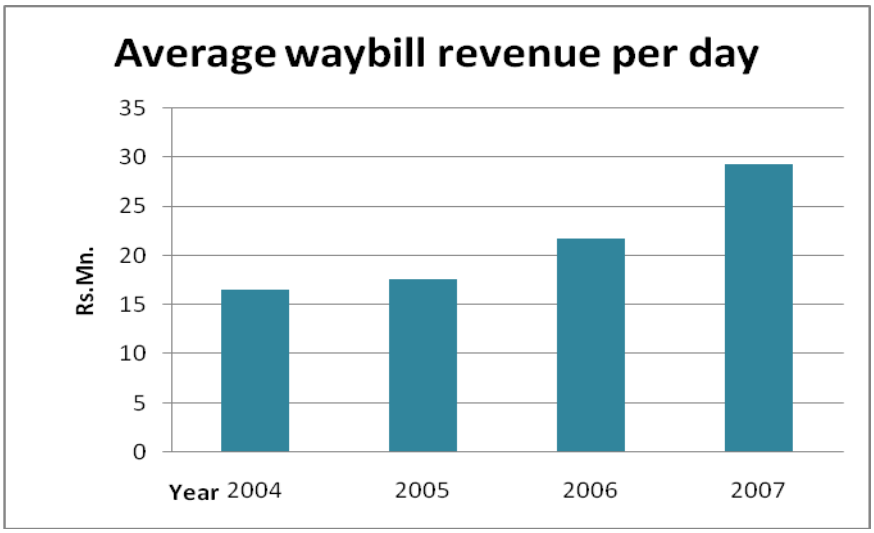
Remarkable progress of operated kilometers have shown in 2007 than 2006

| | |
|---|---|
| 2004 -Average operated KM per day | 779,729 |
| 2005 Average operated KM per day | 679,091 |
| 2006 Average operated KM per day | 713,753 |
| 2007 Average operated KM per day | 835,313 |



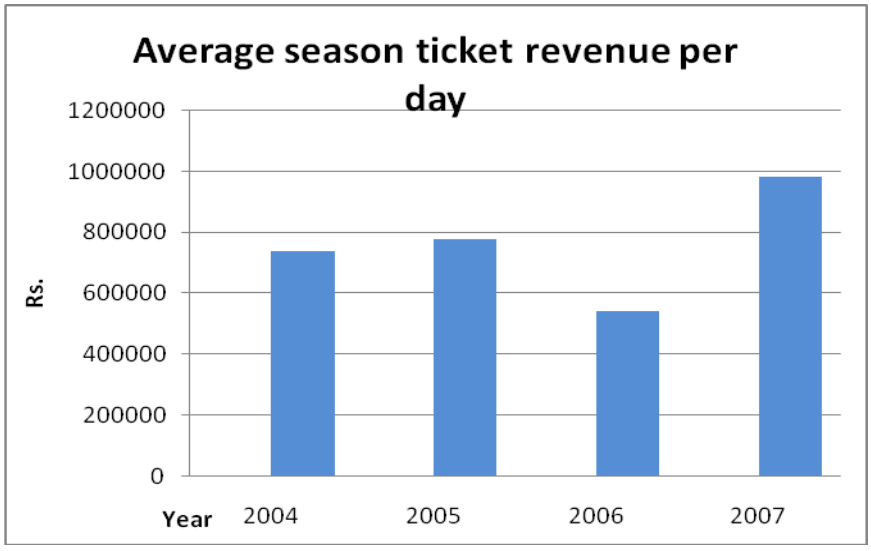
According to the operational progress, waybill revenue per day also very highly.

2004 -Average Waybill revenue per day Rs.Mn.16.5
2005 Average Waybill revenue per day 17.6
2006 Average Waybill revenue per day 21.7
2007 Average Waybill revenue per day 29.3




When waybill revenue had increased by 20%, season ticket revenue per day also increased more than 40%.

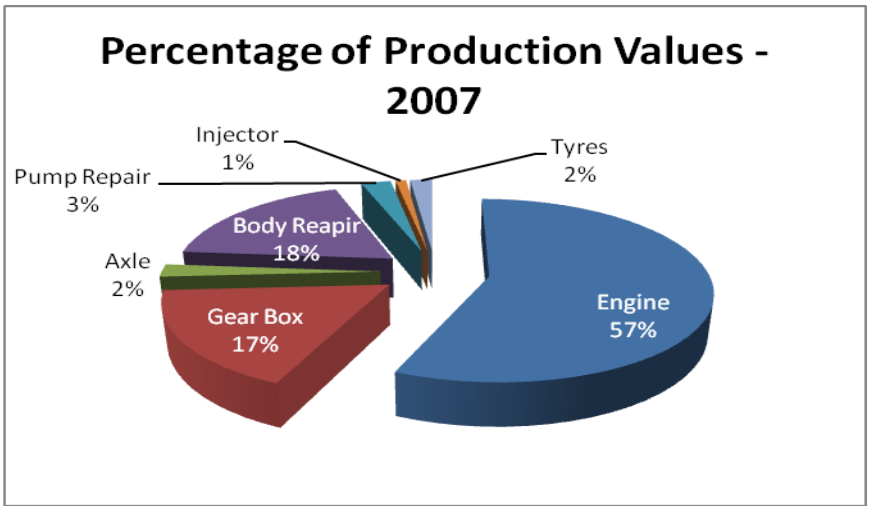
2004 -Average Season ticket revenue per day Rs.737,779
2005 Average Season ticket revenue per day Rs.780,368
2006 Average Season ticket revenue per day Rs.544,749
2007 Average Season ticket revenue per day Rs.984,430

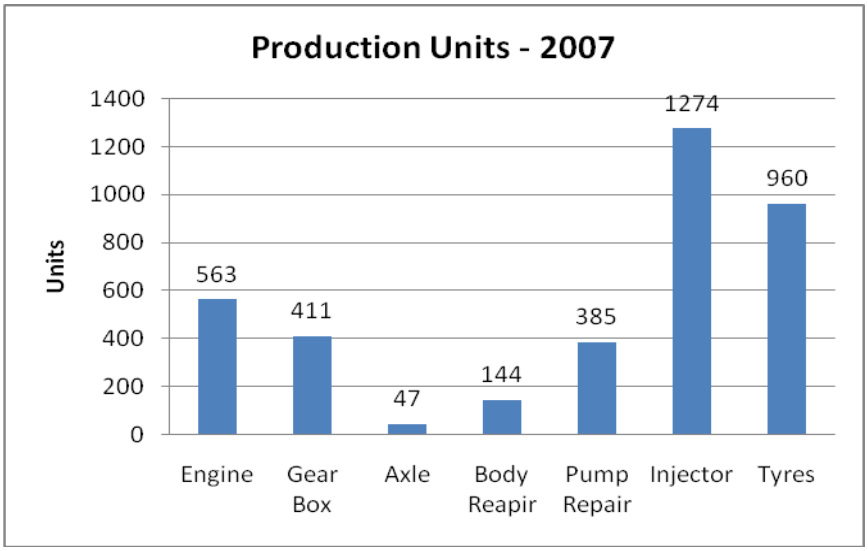



**TECHNICAL DIVISION**

Production value of work done through Provincial Workshops.

| **Category** | **Units** | **Value (Rs )** |
|---|---|---|
| Engine | 563 | 59,115,000 |
| Gear Box | 411 | 18,289,500 |
| Axle | 47 | 2,350,000 |
| Repairs to body of Buses | 144 | 19,080,000 |
| Repair of Pumps | 385 | 2,695,000 |
| Injector | 1274 | 955,500 |
| Tyres | 960 | 2,016,000 |
| | | 104,501,000 |






**Supply of New Buses**

766 new buses were supplied in 2007

**Supply of New Engine Kits**

135 TATA Engine kits and 135 Leyland Engine kits were supplied in 2007.

## FLYING SQUAD DIVISION

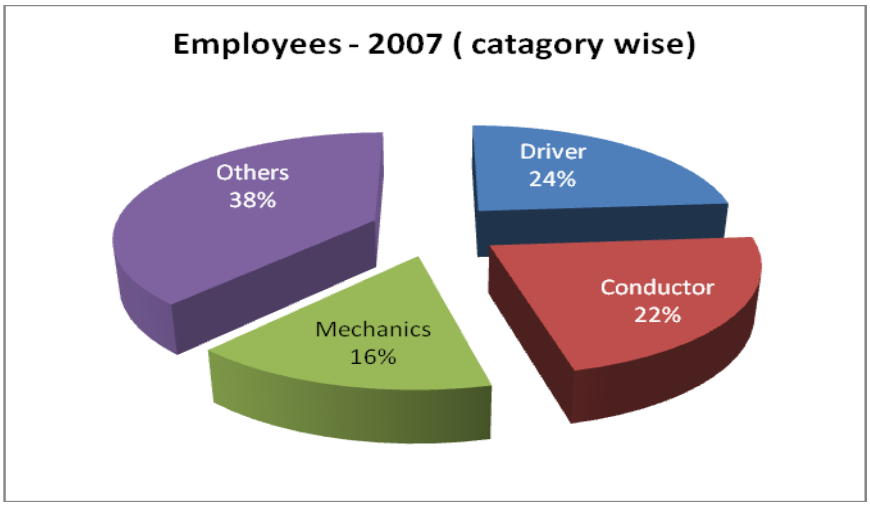
It has been estimated that at least 25% of the way bill revenue is misappropriated. Special flying squad teams have been mobilized. The loss of revenue is shown from the following statistics.

| Year | Severe frauds | Minor frauds | Fines collected from passengers who travelled without tickets |
|---|---|---|---|
| 2007 | 884 | 3340 | Rs.1,027,054.50 |

## HUMAN RESOURCES DIVISION

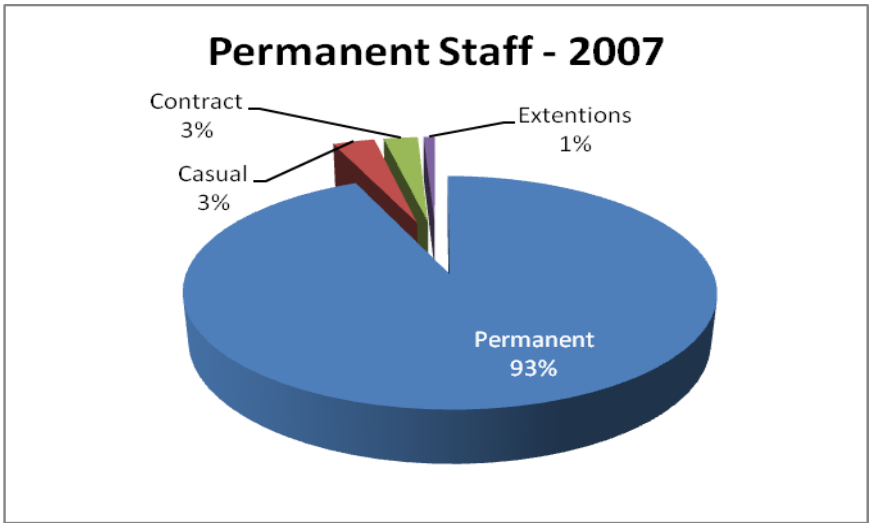
Cadre details for 2007, in category wise as follows

| | |
|---|---|
| Drivers | 8,826 |
| Conductors | 8,326 |
| Mechanics | 5,798 |
| Others | 14,194 |
| | 37,144 |

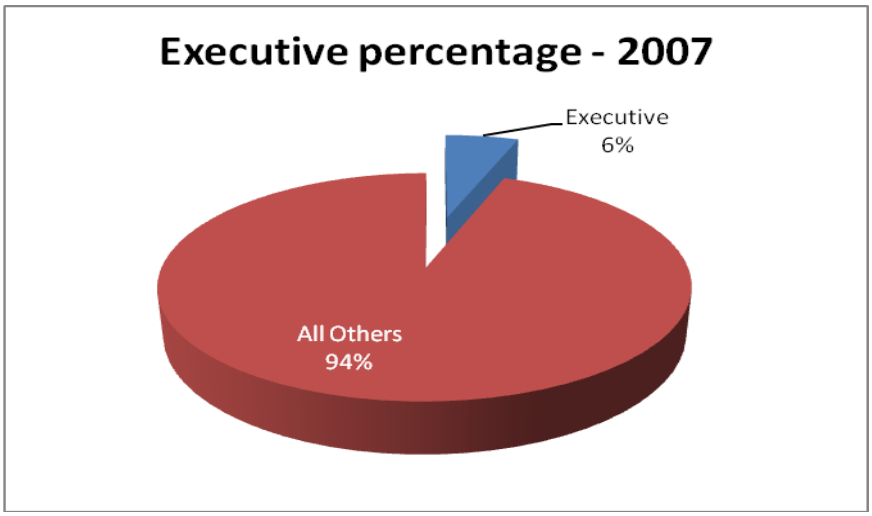



Nature of employment of employees

| | |
|---|---|
| Permanent | 34,708 |
| Casual | 1,170 |
| Contract | 953 |
| Extension | ,313 |
| | 37,144 |




| | |
|---|---|
| Executive | 2,052 |
| All Others | 35,092 |
| | 37,144 |


Executive percentage - 2007
Executive
6%
All Others
94%

## 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. One 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 Receivables of Income, Army hires, Police warrants and others at the rate of 5%.

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

8. 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 நாயகம் அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය
எனது இல
My No. RT/B/SLTB/FA/2007

ඔබේ අංකය
உமது இல
Your No.

දිනය
திகதி
Date 08 February 2013

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 2007 in terms of Section 14 (2) (c) of the Finance Act, No. 38 of 1971.

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The audit of financial statements of the Sri Lanka Transport Board for the year ended 31 December 2007 comprising the balance sheet as at 31 December 2007 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 2007 for audit within the specified period.

1.2 Management's Responsibility for the Financial Statements

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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.

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ෆැක්ස් අංකය தொலைநகல் இல Fax No. 2887221
ඉලෙක්ට්‍රොනික තැපෑල් ලිපිනය மின்னஞ்சல் முகவரி E mail. oagguv@slnet.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 unable 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, 2.2.8 and 2.2.9 of this report, I am unable to determine whether any adjustments 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.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraphs 2.2.4, 2.2.5, 2.2.6, 2.2.7, 2.2.8 and 2.2.9 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 2008 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 19 September 2011 after a delay of 3 years and 06 months.

2.2.2 Sri Lanka Accounting Standards

Although income and expenditure should have been entered in the accounts separately in terms of Sri Lanka Accounting Standards No.03, a credit balance of Rs.529,874 had remained in the Rates and Tax Account due to entering the rental income amounting to Rs.1,268,784 received and an expenditure amounting to Rs.738,910 paid in the Rates and Tax Account of the Head Office.

2.2.3 Accounting Deficiencies

The following observations are made.

(a) Although the value of lands and buildings of the Board had been shown as Rs.316.5 million according to the financial statements presented, the above value had not been separately identified. However, 2.5 per cent being Rs.3.9 million had been provided as depreciation for the year under review on direct line method considering the value of buildings as Rs..158.2 million being 50 per cent of the total value shown.

(b) The balance of the provision for doubtful debts account as at 31 December 2006 was Rs.89,721,206 whereas the balance of the above account as at 31 December 2007 had been reduced up to Rs.22,149,928. Accordingly, the overprovision for doubtful debts amounting to Rs.67,571,278 should have been credited to Profit and Loss account. However, it had been accounted to the Profit and Loss Account for the previous year. Similarly, the value of losses for the year under review had been overstated by Rs.89,721,206 due to debiting a value of Rs.22,149,928 to the Profit and Loss Account as an expenditure.

Further, instead of deducting the balance of the provision for doubtful debts as at 31 December 2007 amounting to Rs.22,149,928 from the balance of the debtors, a sum of Rs.44,299,856 had been deducted and as such the balance of debtors had been understated by Rs.22,149,928.

(c) The balance of the provision for doubtful debts account as at 01 January 2007 had been overstated by Rs.19,891,913 and the balance of debtors as at that date had been understated by that amount due to making provision of Rs.89,721,207 instead of Rs.69,829,294 while making provision for doubtful debts for the year 2006.

(d) The expenditure of the Provident Fund had been overstated by Rs.53,488,293 and the loan receivable account of the Provident Fund had been understated by that amount due to entering the balances of the loan receivable accounts of the Provident Fund amounting to Rs.53,488,293 into the expenditure of Provident Fund of the Head Office.

(e) Provision had not been made in the accounts for accrued expenditure for Rs.1,331,797 of the Head Office as at 31 December 2007and as such profit had been understated by that amount.

(f) Revenue amounting to Rs.169,327,981 receivable for the preceding year had been received during the year under review and brought to account as revenue for the year. While correcting this error the value of Rs.4,686,463 had been debited to 03 Expenditure Accounts instead of debiting to the relevant revenue accounts as a result, the revenue and expenditure for the year under review had been overstated by that amount. Further, the postal transport income receivable for the year under review amounting to Rs.1,772,817 had been entered in the telephone expenditure account and as such the relevant income and expenditure had been understated by that amount.

(g) Transport expenses totalling Rs.3,822,908 paid by the Head Office for the year under review had been brought to account under other allowances.

(h) Publicity expenditure amounting to Rs.1,785,088 spent by the Head Office had been accounted under other expenditure instead of being accounted as publicity expenditure and as such the publicity expenditure had been understated by that amount.

(i) While vesting of assets and liabilities totalling Rs.217,685,421and Rs.369,038,052 respectively to the Head Office relating to 6 Bus Companies during the year under review assets had not been revalued and liabilities had not been confirmed.

(j) Police and other warrant income receivable totalling Rs.17,367,713 had been entered as Army warrant income. As a result, the Army warrant income had been overstated by that amount and the Police warrant income account and other warrant income account had been understated by Rs.7,824,495 and Rs.9,543,218 respectively.

(k) While computing profit on sale of buses for the years 2006 and 2007, cost of buses and cumulative depreciation had been adjusted to the Buses Account and provision for depreciation on buses account instead of being adjusted to the Condemned Buses Account and provision for depreciation on Condemned Buses Account and as such Condemned

Buses Account and provision for depreciation on Condemned Buses Account had been overstated by Rs.202,057,341 and Rs.185,362,986 respectively.

(l) A stock balance of Rs.84,484 had been accounted as credit balance while assigning stocks of the Regional Transport Board to the Head Office.

(m) A credit balance of Rs.27,097,630 and a debit balance of Rs.27,017,621 in the creditors account of the Colombo Regional Transport Board had been assigned while assigning Bus Companies. Although the assigned debit balance had arisen due to incorrect accounting, action had not been taken to correct it.

(n) Contribution of the Board for Employees Provident Fund had been 12 per cent from the salaries of a portion of the employees and 15 per cent from the salaries of another portion of employees and 3 per cent had been deducted from their salaries for Employees Trust Fund. Accordingly, average contribution between the Employees Trust Fund and Employees Provident Fund should have been at the ratio 1:4 and 1:5. However, variances were observed in comparison of those accounts for the year under review due to accounting errors.

(o) Cash in transit as at 31 December 2007 had been shown in the accounts as a credit balance of Rs.154,705.

(p) Two balances of Accounts Receivables totalling Rs.46,249 of the Head Office had shown as credit balances.

2.2.4 Unreconciled Control Accounts

According to the letter dated 02 July 2011 of the Chief Supplies Manager of the Board, the value of closing stocks existed at the Stores of the Head Office as at 31 December 2007 was Rs.69,975,691 and the value of stocks taken over from the Regional Transport Boards was Rs.88,946,412. A value of Rs.1,075,987,219 had been shown in the financial statements as stocks at the Head Office without computing the stocks by the Board. Accordingly, it was unable to accept in audit about the value of closing stocks.

2.2.5 Unexplained Differences

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 registers 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 |
| Difference | | Rs.637,851,850 |

2.2.6 Suspense Accounts

Action had not been taken to settle the debit and credit balances of 10 suspense accounts totalling Rs.718,646,012 remained as at 31 December 2007.

2.2.7 Accounts Receivables and Payables

The following observations are made.

(a) Fourteen balances receivable totalling Rs.112,864,736 relating to the Head Office remaining for a long period up to 31 December 2006 were being brought forward without taking action to recover them.

(b) Action had not been taken to settle the creditors balances amounting to Rs.1,293,026,267 older than one year included in the creditors balances amounting to Rs.2,218,562,124 relating to the Head Office.

(c) The balances of 05 long term loan accounts totaling Rs.1,976,660,492 obtained from the General Treasury remaining for more than a period of 25 years had been shown in the financial statements up to 31 December 2007 without settling it.

(d) The balances of Indo Sri Lanka Loan as at 31 December 2007 amounted to Rs.38,015,684 and the account balances of interest on loans payable in this regard amounted to Rs.1,176,074,088. An age analysis thereon had also not been submitted for audit and action had not been taken to settle this account balances.

(e) Sixteen long term balances of liabilities totaling Rs.1,174,219,783 vested at the time of establishment of Board on 18 October 2005 had been shown in the financial statements up to 31 December 2007 and action had not been taken to settle these balances.

(f) Two balances of advances amounting to Rs.4,893,293 shown in the financial statements since year 2005 had not been settled up to 31 December 2007.

(g) Action had not been taken for more than one year up to 31 December 2007 even after vesting the stock of fuel in transit amounting to Rs.1,231,331 as at 31 December 2006 remained under the Regional Transport Board to the Sri Lanka Transport Board.

(h) The value of Rs.35,751,493 shown as balances of buildings in progress account had remained in the accounts for long period and action had not been taken to settle the relevant balances.

2.2.8 Lack of Evidence for Audit

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

| | Item | Value | | Evidence not Submitted |
|---|---|---|---|---|
| | | Rs. | | |
| (a) | Fixed Assets | 6,057,089,897 | (i) | Register of Fixed Assets |
| | | | (ii) | Evidence to prove that the Board of Survey/ physical verification carried out in respect of fixed assets at the depreciated value of Rs.3,141,290,735 and Rs.370,045,232 relating to 11 Bus Companies and 7 Regional Transport Boards respectively vested on 18 October 2005. |
| (b) | Investments | 295,540,691 | | Schedules |
| (c) | Miscellaneous Debtors | 1,755,043,785 | (i) | Confirmation of balances. |
| | | | (ii) | Age Analysis |
| (d) | Bank Balances | 296,353,450 | | Bank reconciliation statements in respect of Bank Accounts of the other Bank Accounts except Head Office |
| | Bank Overdraft | 407,309,772 | | |
| (e) | Creditors | 4,627,322,423 | (i) | Details of individual accounts |
| | | | (ii) | Age Analysis |
| (f) | Stock Balances | 1,576,900,365 | | Report of the stock verification |

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

The following non-compliances were observed.

| | Reference to Laws, Rules, Regulations etc. | Non-compliance |
|---|---|---|
| (a) | Rules 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 2007 sums of Rs.559,376,279 and Rs.486,567,910 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. |
| (b) | 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 2007 a sum of Rs.51,699,930 including contributions for the year under review and the preceding years had not been credited to the Fund accordingly and an age analysis had not been prepared in this regard. Therefore, it was unable to observe that for which years it |

had to be paid.

| | | |
|---|---|---|
| (d) | Public Enterprises Circular No.PED/12 dated 02 June 2003. | |
| | (i) Paragraph 5.2.4 | Although the Budget should be approved by the Board of Directors 03 months prior to the commencement of the financial year, it had not been done by the Board. |
| | (ii) Paragraph 5.2.5 | Although a copy of the Budget approved by the Board of Directors should have been submitted to the Auditor General prior to 15 days of the relevant year, Budget for the years from 2006 to 2011 had been submitted for audit only on 18 July 2011. |

## 3. Financial and Operating Review

### 3.1 Financial Review

#### 3.1.1 Financial Results

According to the financial statements presented, the Board had incurred a loss of Rs.5,946,554,943 for the year ended 31 December 2007 while the above loss had decreased up to Rs.1,537,271,139 due to the grants of Rs.4,409,283,804 received from the Treasury. A profit of Rs.1,645,802,316 had been obtained for the previous year and an improvement had indicated in the financial results by Rs.108,531,177 as compared with the preceding year.

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. Action had not been taken to find out the existence and ownership of these lands and make registration and settlement under Section 44 of the Land Acquisition Act.

(b) 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.

(c) Although a cash Imprest should be replenished prior to ending of its balance, 02 imprest accounts had shown credit balances totalling Rs.28,398 as at 31 December 2007. Action had not been taken to identify and properly accounting them.

(d) Provision amounting to Rs.33,309,516 for damaged goods of the stores remained continuously in the financial statements of the Board had been shown in the accounts for the year 2007 too. Action had not been taken to settle this balance.

(e) The Board had requested approval from the Department of Public Enterprises relating to write off of accounts balances of Rs.1,221,307 in respect of non operative assets and liabilities. It was proposed to carry out comprehensive examination with regard to this balance and write off these balances based on knowledge and approval of the Board of Directors. However, action had not been taken accordingly.

3.2.2 Identified Losses

The following observations are made.

(a) Although installment of Bank Loans obtained from the Wayamba Development Bank by the employees of the Nittambuwa Depot had been deducted from wages of the employees, the Depot had to pay interest amounting to Rs.865,257 for those arrears of installments based on judgment of the court due to failure to make payments by the Depot.

(b) Surcharges totalling Rs.17,312,659 payable to the Employees Provident Fund and Employees Trust Fund had been included in the creditors balances.

3.2.3 Budgetary Control

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

4 Systems and Controls

Deficiencies observed during the course of audit were reported to the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control.

(a) Fixed Assets
(b) Stock Control
(c) Debtors and Creditors
(d) Accounting
(e) Confirmation of Account Balances
(f) Vesting of Assets and Liabilities
(g) Settlement of Account Balances
(h) Budget

H.A.S.Samaraweera
Auditor General