ANNUAL REPORT

2009

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.

MESSAGE FROM THE CHAIRMAN

It has to be recorded that the most successful celebration of the fiftieth anniversary of the Sri Lanka Transport Board (SLTB) and the immemorable awards of high value presented to the employees at this occasion, have resulted the dawn of 2009 in a pleasant atmosphere. Adding another dimension to the reputation earned by SLTB for providing a commuter friendly service, it has been assured that efficient officials are adequately rewarded for their commitment.

The reduction of fuel prices by the Government has attributed the sustenance of this pleasant atmosphere. The price of a liter of diesel was reduced from Rs.110/- to Rs.70/- resulting a 36.36% reduction from January 2009. Concurrently the bus fares were also reduced which was approximately a 10% reduction. As a result of these adjustments SLTB was able to save almost Rs.240 million per month.

With the reduction of fuel prices, the Treasury subsidy was reduced by deducting at the rate of Rs.4000/- per month from each employee. Further, the salary increase of Rs.3,255/- approved by the Government had to be paid to the employees. As a result the savings and expenditure remained at a par level.

Introduction of a new methodology for payment of a bonus for the drivers, conductors and mechanics to promote their interest and commitment for the job has resulted in increased revenue generation. As a special project of the Information & Technology Division, arrangement were made to obtain daily operational details and information required for the profit & loss report through the Internet. This programme, commenced in early part of 2009, proved to be a marked success.

Newly received 199 busses were operated in most profitable routes. Operational fleet was considerably increased with the addition of 125 buses fitted with new TATA Engine Kits and 145 buses fitted with Leyland Engine Kits. This enabled 4765 buses generally operated per day in 2008 to be increased to 5160 in 2009.

It has to be mentioned that Ruhuna and Gampaha regions which had undergone a setback in revenue generation has achieved some progress owing to the programmes implemented to elevate them.

It was possible to increase the operated kilometers per day by 63,000 and the Way Bill Revenue by Rs.1.4 million per day in 2009. Season Tickets revenue too was increased to a certain extent. As a whole year 2009 has manifested a satisfactory progress.

Particularly at a time when the Treasury funding has been considerably reduced, we should be determined to meet this situation by strengthening our finances through increased revenue generation and elimination of unnecessary expenditure. It is hoped that corporation and commitment of all employees would be extended to make it a success.

Shashi welgama
Chairman
Sri Lanka Transport Board

PLANNING & DEVELOPMENT DIVISION

The Development Plan and Action Plan for 2009 and the Quarterly Progress Reports were prepared by this office. Profit & Loss Statement of all Depots, Regional Offices, Provincial Workshops, Driver Training Schools, Circuit Bungalows, SLTB Head Office and Orugodawatte Fuel Filling Station were brought to Head Office and computerized. Later with the assistance of Information Technology unit a new programme was implemented to obtain profit and loss statements through the Internet. Also analysis reports an progress of profit and loss statements were prepared and submitted to Senior Management. These reports have been extremely useful in making management decisions.

Further, Quarterly Credit Reports and reports and assessing the subsidies for season tickets have been computerized and submitted to the Senior Management. This office has also compiled progress reports requested by the Ministry of Transport and Central Bank. Reports required by the Budget Committee have also been furnished by this office.

INTERNAL AUDIT DIVISION

Number of audit queries issued in 2009 was 1,948. The amount recoverable in this respect is Rs.25,110,228.18.

SECRETARIAT DIVISION

The Board of Directors met regularly during the year 2009. 15 meetings of the Board inclusive of 02 Emergency Meetings were held during the year.

TENDER BOARD

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

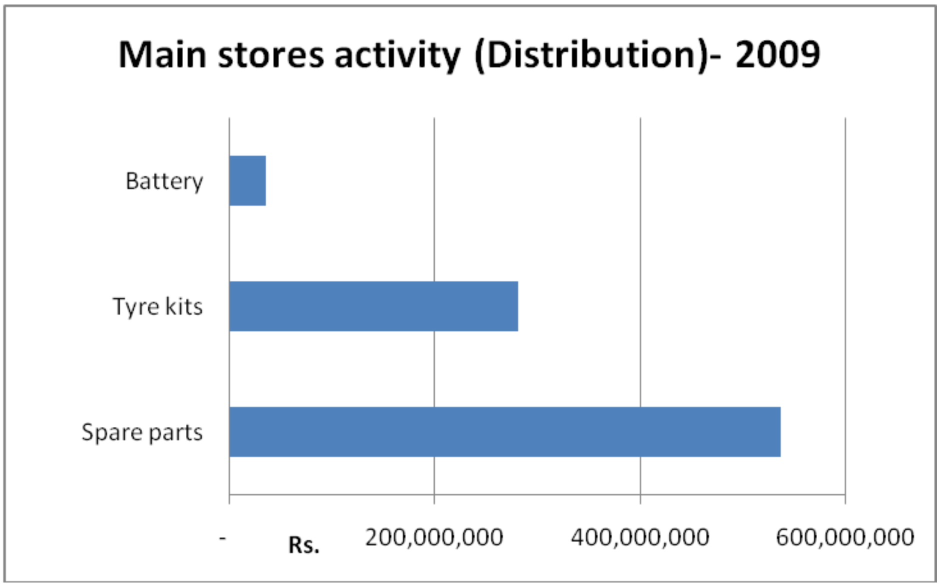
SECURITY DIVISION

- Staff of the Security Division were offered training on security and investigation work and fire extinguishing.
- Security activities were expanded to the extent of providing security to agencies outside SLTB and thereby colleting additional income.
- Security was provided for cash transportation.
- Free Travel Passes were issued directly to all employees of the SLTB Head Office and other stations.

COMMERCIAL & SUPPLIES DIVISION

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

Year	Central Stores Katubedda	Main Stores, Narahenpita	Total
2009	Rs.247,575,312.00	Rs.289,163,053.27 Spare parts Rs.281,204,172.00 Tyre kits Rs.36,325,568.00 Batteries	Rs.606,692,793.27



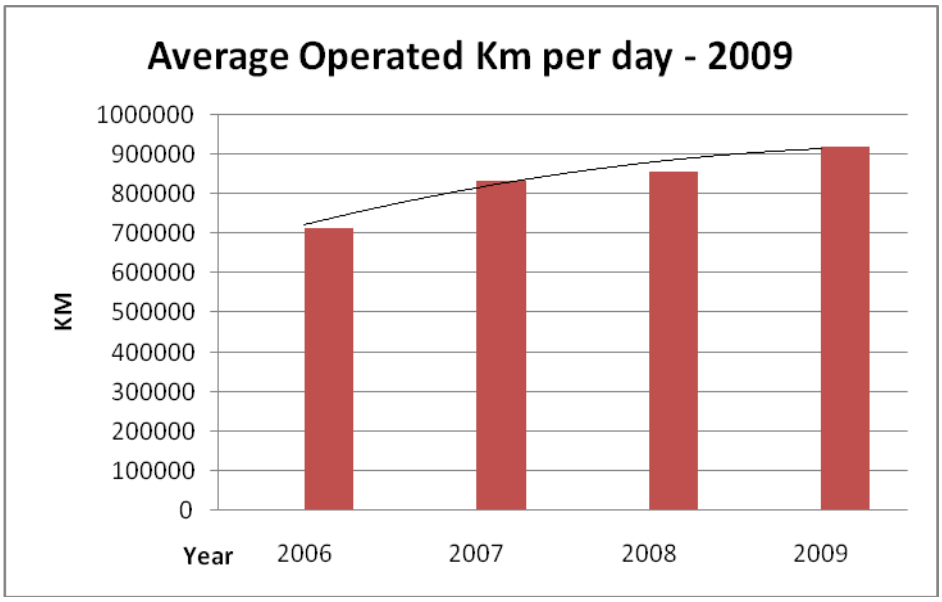
OPERATION DIVISION

The contribution of Operation Division for the performance of SLTB are as follows**.**

Total No of Kilometers operated per day	920,168
Utility rate of a bus per day	207
Way Bill Revenue per day(average)	Rs.36,828,682
Monthly Revenue from Season Tickets (average)	Rs.44,600,000

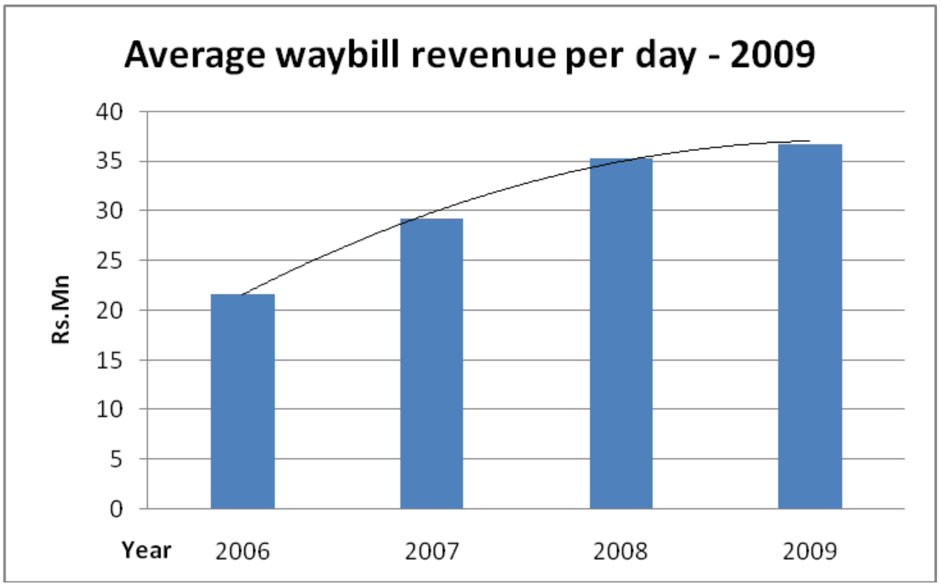
It is an evidence that an excellent bus service has been provided to public when increasing the operated Km yearly. The details of operated Km per day are as follows.

2006	713,753
2007	835,033
2008	857,033
2009	920,168



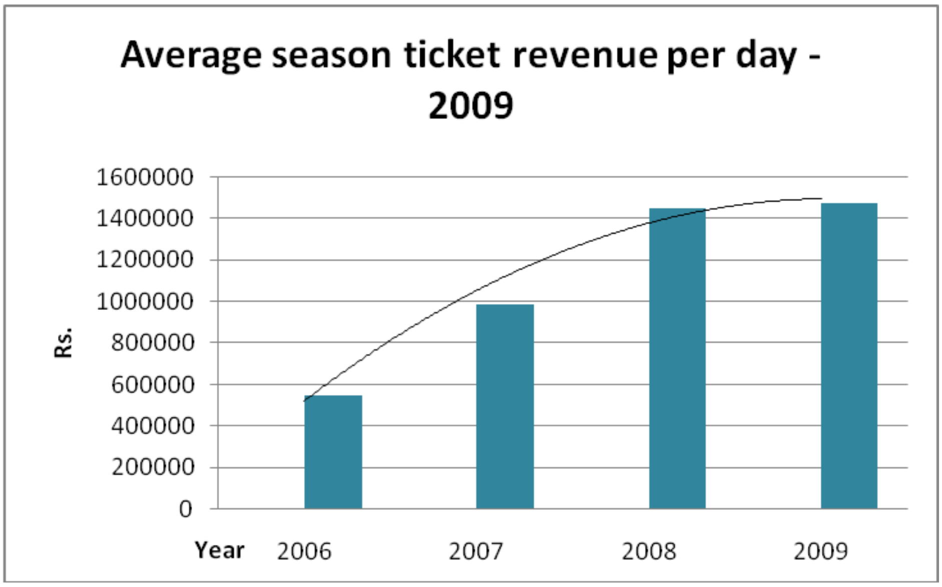
Waybill revenue has also increased parallel to operated Km per day. It is also a significant progress. Its details are as follows.

Year	Waybill Revenue per day(Rs.Mn)
2006	21.7
2007	29.3
2008	35.4
2009	36.8



The Season Ticket revenue is the main revenue among the revenue received next to the Waybill revenue. Its details are as follows.

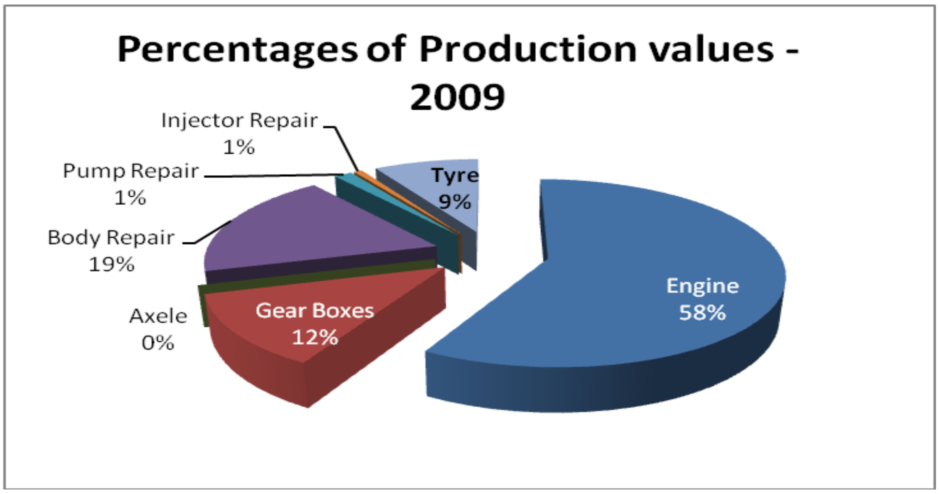
Year	Season Ticket Revenue per day(Rs.)
2006	544,749
2007	984,430
2008	1,443,219
2009	1,469,222

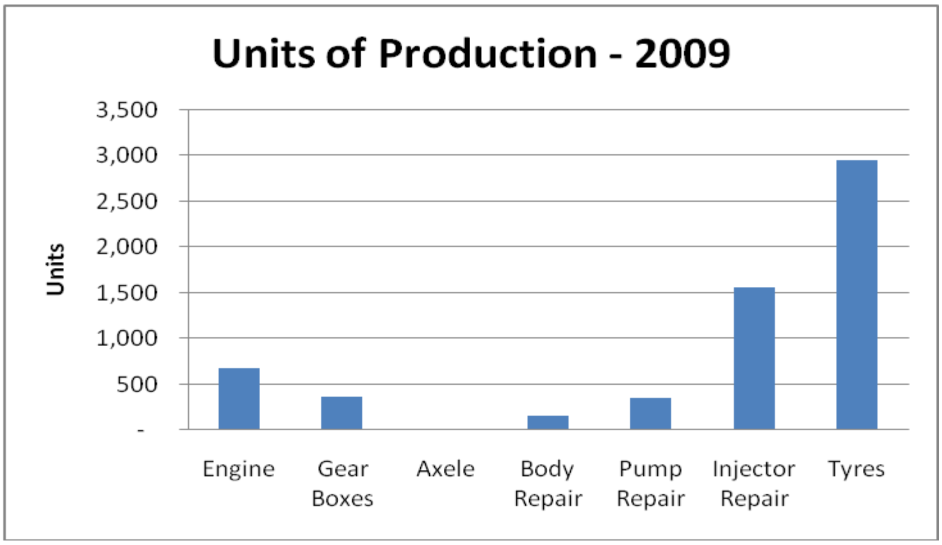


TECHNICAL DIVISION

Production value of work done through Provincial Workshops.

Category	**Units**	**Value Rs.**
Engine	679	118,404,935.00
Gear Box	361	25,459,289.00
Axle	-	-
Repairs to body of Buses	162	37,827,982.00
Repair of Pumps	352	3,018,238.00
Injector	1,566	1,438,850.00
Tyres	2,958	17,664,336.00
	Total	**203,813,630.00**





Supply of New Buses

199 New Buses were supplied in the year 2009.

Supply of New Engine Kits

120 TATA Engine Kits and 120 Leyland Euro 1 model Kits and 25 Leyland Euro 2 model engine kits were supplied.

FLYING SQUAD DIVISION

It has been estimated that a minimum of 25% of the way bill revenue is misappropriated. Therefore special Teams have been mobilized to arrest this situation. The following statistics shows the loss of revenue.

Year	Severe frauds	Minor frauds	Fines collected from passengers who travelled without tickets
2009	1,241	5,713	Rs.1,927,511.00

TRAINING DIVISION

In addition to the training workshop conducted for Graduates, other Subject Officers were also offered the exposure for training. Summary of such training conducted is given below;

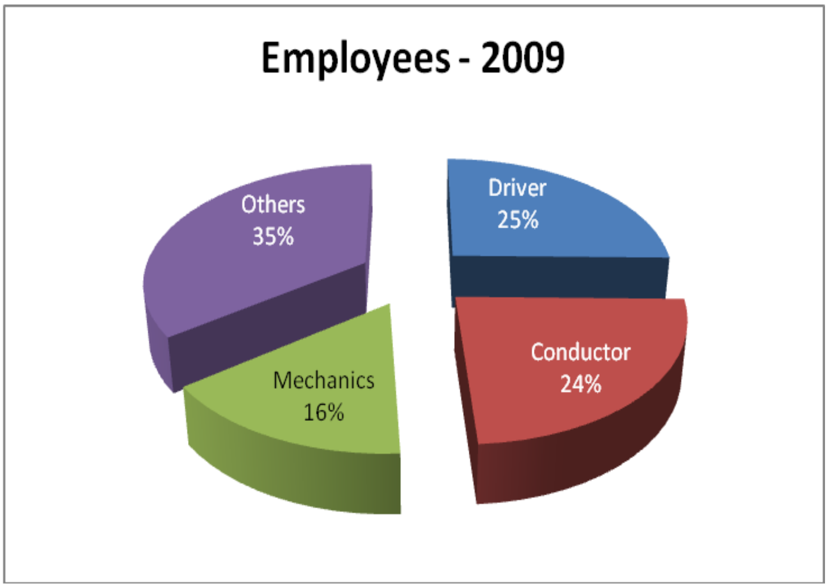
- Five day workshop on Motor car transportation conducted by the University of Moratuwa.
- Training workshop for Driver recruits.
- Training of Assistant Managers (Operational)
- Training workshop for leaders who have passed the Driving Instructors Examination.
- Conducting the written examination for Assistant Managers (Operation)
- Conduct of Training programmes for Depot Storekeepers, and Regional Foreman.

In addition several weeks of practical training were offered to newly recruited Graduates at the Depots.

HUMAN RESOURCES DIVISION

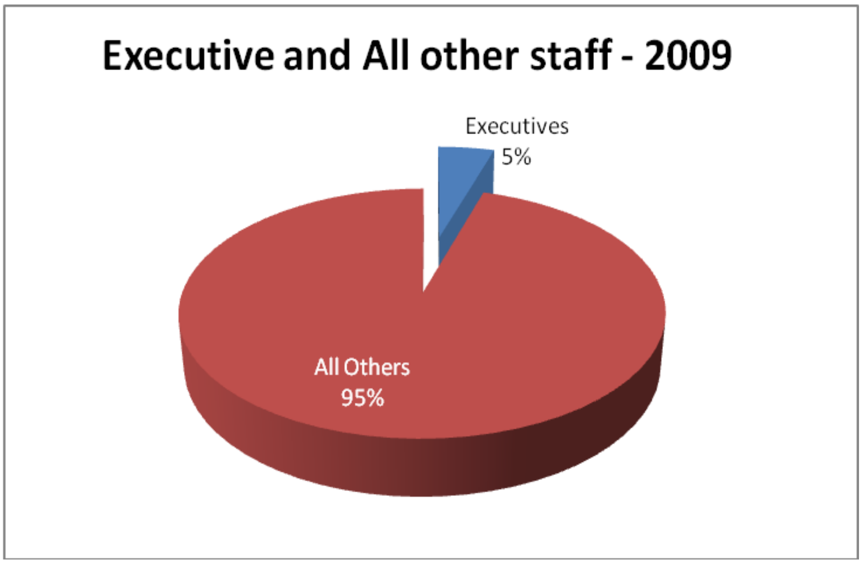
Total No of employees for 2009 was 35,214 .The details are given below.

Drivers	8,899
Conductors	8,394
Mechanics	5,522
All other	12,399
Total	35,214



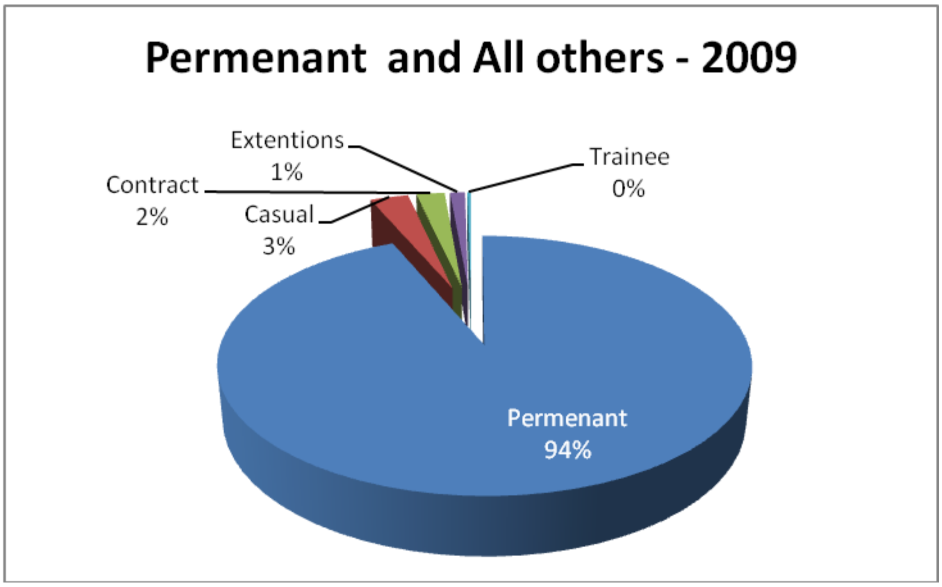
The structure of Executives and other Employees as follows.

Executives	1,636
Other Employees	33,578
Total	35,214



There was an excesses and Shortages in some categories of employees. Therefore necessary recruitments and extensions of service were made. The nature of employment of employees are as follows.

Permenant	32,965
Casual	1,015
Contract	749
Extentions	395
Traniees	90
Total	35,214



INFORMATION TECHNOLOGY DIVISION

1. Establishment of an Information System to record particulars of all employees of the SLTB (Human Resources Division).
   - Training of Computer Operators
   - Computerization of all particulars of the employees of the SLTB
2. Setting up of an Information System consisting of all profit and loss statements of the SLTB (for Finance Division)
   - Computerization of Income and expenditure statements of last year

3. Fixing of multimedia projectors to Chairman’s Office at Head Office, Auditorium and Information Technology Division (for Head Office)
4. Installation of 33 new computers to Information Technology Training Centre of the Information Technology Division of the Head office (for IT Division)
5. Distribution of new computers to Depots (Head office)
6. Setting up of Virus Guard for computers of the Head office (Head Office)
7. Inventorising of all computers and accessories and software indicating full details
8. Develop software and store data to enable any computer based problems or defects to be taken up from the Depot level.
9. Repair of all computers and printers and installation of UPS and software
10. Installation of Sinhala fonts for UBUBDTO OS
11. Planning and Development Division was provided with Internet facilities.
12. Local Area Network was established with the combination of DGM (Administration) and Human Resources Development Divisions (for Human Resources Development Division)
13. Computer network was set up in Hon. Deputy Minister’s office (for Deputy Minister’s office)
14. Chief Executive Officer Office was provided with new internet facility and converted to an area using W1.F1 technology (for Chief Executive Officer’s office)

MEDIA DIVISION

- Sri Lanka Transport Board (SLTB) Media Division established within one year was able to publish “Sri Langama Puwath” newspaper for the first time in August 2009. Thereafter the newspaper was published every month continuously.

- “Handamama Langama Charika” Programme broadcast by the Sri Lanka Broadcasting Corporation was inaugurated with the participation of SLTB staff and their children on 14^{th} May 2009. Thereafter the programme was relayed on 19^{th} July 2009 at Kelaniya, Welisara and Kaduwela Depots, on 26^{th} August 2009 at Kurunegala Regional Office, on 20^{th} August 2009 at Galgamuwa, Wariyapola, Mahawa and Nikaweratiya Depots, on 04^{th} September 2009 at Kegalle, Mawanella, and Rambukkana Depots, and on 20^{th} and 21^{st} November 2009 at Matara, Hakmana, and Akuressa Depots. This programme was sponsored by Sri Lanka Insurance Corporation.

- To enable the SLTB employees to enjoy high quality cinema, for the first time a film “Heaven of the Children” produced by an Iranin producer by the name of Majd Majd was shown during lunch hour on 11^{th} November 2009.

- As an initial step of SLTB Library Development Project, 300 quality books were donated to the Central Library (SLTB) with the intervention of the Media Division. On a proposal by the Chairman, SLTB it has been planned to donate books worth of Rs.10,000/- each to all Depots to organize a small scale library.

- Literature and Art and Media Workshop was inaugurated to the first time on 29^{th} May 2009, enabling to promote talents of SLTB employees in art and literature. A media workshop was also held on 4th December 2009. All participants who attended this workshop were presented with certificates.

- With the kind cooperation of the members of staff of the Sri Lanka Transport Board a “Poson Bakthi Gee” programme was organized for Poson festival. A Bakthi Gee Troupe toured the SLTB Head Office and Anuradhapura sacred area during the festival days. By launching a cultural event of this nature the SLTB Media and Cultural Division has contributed in educating the staff and creating a sense of job satisfaction.

- For the first time in the history Sinhala New Year celebrations were held on 15th April 2009 at Shalika Hall, Narahenpita SLTB employees serving in all part of the country participated in this event.

- Arrangements were made by the Media Division to pay the musical groups and also organized sponsors to donate gifts for the competitions of the new year celebration. The division also coordinated the participation of artist to serve on panel of judges for Avrudu Kumari contest. Publicity for the New Year celebrations were given through Rupavahini programmes and also “Atapatipame” programme.

- News items appearing on the daily newspapers concerning SLTB are conserved by the division. Division also arrange to submit extracts of news items of particular interest to SLTB to the Head of respective Divisions for suitable action

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 தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

My No. RT/B/SLTB/FA/2009   Your No.   Date 31 October 2013

The Chairman

Sri Lanka Transport Board

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

The audit of financial statements of the Sri Lanka Transport Board for the year ended 31 December 2009 comprising the balance sheet as at 31 December 2009 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 financial statements for the year ended 31 December 2009 had not been presented for audit within the specified period and as such a report relating to the operation of the Board was forwarded to the Chairman on 29 August 2011.

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.

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

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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 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 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 2009 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 Institution

The net assets had diminished in a great extent and those had a negative value of Rs. 9,314 million by the end of the year under review as the Board had incurred losses continuously. As a result, it was observed that an uncertainty had appeared in the continuous function of the Institute without other financial assistance of the Treasury or the Government.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) According to the financial statements presented, the cost of lands and buildings of the Board was Rs.321.9 million. However, the cost of those assets had not been separately disclosed. But, it was assumed that a sum of Rs.160.95 million representing 50 per cent of the above total cost as the cost of the buildings and of this, a sum of Rs.4.02 million computed on the basis of straight line method at the rate of 2.5 per cent had been provided for depreciation.

(b) Instead of the salary for the month of December, the average salary had been taken as a basis for the computation of the provision for gratuity in terms of provision of the Payment of Gratuity Act, No.12 of 1983. As a result, the balance of the provision for gratuity account amounting to Rs.2,997.5 million was incorrect.

(c) The book value of assets and liabilities amounting to Rs.217.7 million and Rs.369.03 million respectively relating to 06 Bus Companies had been vested with the Board in the year 2007 without making revaluation and the amount of revaluation of them had not been identified in the financial statements even during the year under review.

(d) A sum of Rs.901,420 provided for damaged goods existing at the Regional Workshops had been disclosed as reserves and as a result, equity and assets had been overstated by the same value.

(e) The cost of buses and condemned buses and the value of accumulated depreciation as at 31 December 2009 were incorrect due to inclusion of the cost of 07 buses condemned during the year 2007 amounting to Rs.2.11 million and the accumulated depreciation amounting to Rs.1.88 million within the cost of 10 buses condemned during the year 2008 amounting to Rs.2.71 million and the accumulated depreciation amounting to Rs.1.12 million and inclusion of the cost of 10 buses condemned during the year 2008 and the accumulated depreciation within the cost of 63 buses condemned during the year under review amounting to Rs.20.98 million and the accumulated depreciation amounting to Rs.20.92 million.

(f) Even though the book value of 15 condemned buses sold for Rs.2,137,245 during the year under review was Rs.802,038, instead of that the book value of Rs.15,000 had been brought to the Profit and Loss Account by making adjustment with the sales value and as such, the deficit for the year under review had been understated by Rs.787,038.

(g) According to the information received by the Tender Division of the Board, 253 condemned buses had been sold during the year under review. However, the cost relating to 119 buses out of those buses amounting to Rs.61.47 million and the accumulated depreciation amounting to Rs.61.35 million had been adjusted with the sales value of Rs.15.92 million and only the profit and losses obtained thereon had been brought to account. The profit and loss had not been identified by making adjustment for the cost of the balance 134 condemned buses sold and the accumulated depreciation with the sales value.

2.2.3 Unexplained Differences

The following observations are made.

(a) Even though according to the schedules relating to the financial statements presented, the Government grants received during the year under review for recurrent and capital expenditure were Rs.5,495.4 million and Rs.735.3 million respectively, according to the information and particulars presented by the Accounts Division of the Board, those had been Rs.5,279.8 million and Rs.661 million respectively. Reasons for the differences amounting to Rs.215.6 million and Rs.74.3 million had not been submitted.

(b) According to the information presented by the Technical Division of the Board, 1,124 buses belonging to 11 Regional offices had been condemned during the year under review. However, according to the financial statements presented, of those buses, condemning of only 63 buses belonging to 4 Regional Offices had been brought to account. The cost of the balance 1,061 buses condemned but not accounted for and the value of accumulated depreciation had not been disclosed whereas the reasons for not accounting the condemning had not been submitted.

(c) According to the financial statements presented, the value of balance stock of the Head Office of the Board as at 31 December 2009 was Rs.1,115.5 million. However, according to the confirmation of the Chairman and the Chief Supplies Manager, its value was only Rs.111.3 million . Reasons for the difference had not been explained. Further, the value of balance stock as at end of the year had been brought to account overstating by Rs.1,004.2 million and as a result , the deficit for the year under review and the value of assets as at 31 December 2009 had been understated and overstated by the same value.

(d) According to the report certified and forwarded by the Department of Registrar of Companies, share capital of the employees and the share capital of the Treasury amounted to Rs.411.14 million and Rs.3,944.89 million respectively whereas according to the financial statements presented, the share capital of the employees as at 31 December 2009 was Rs.411.14 million. Reasons for not disclosing the share capital of the Treasury in the financial statements had not been submitted.

2.2.4 Suspense Account

The credit balances of 06 suspense accounts as at 31 December 2009 which was brought forward continuously for a period of more than 10 years by changing the balances totalled Rs.397.8 million and action had not been taken to settle these balances even during the year under review.

2.2.5 Accounts Receivables and Payables

The following observations are made.

(a) An age analysis had been submitted only for 15 balances valued at Rs.951.8 million relating to Head Office out of the balances of other receivable accounts as at 31 December 2009 amounting to Rs.1,541.09 million and of this, the value of 26 individual balances remaining over 05 years amounted to Rs.210.3 million.

(b) Action had not been taken even up to 31 December 2009 to settle 18 balances amounting to Rs.1,256.16 million remaining over a period ranging from 05 years and 10 years included within the creditors amounting to Rs.2,325.03 million relating to the Head Office.

(c) The balances of 05 long term loan accounts totaling Rs.1,976.6 million received from the General Treasury existing over 25 years had not been settled even up to 31 December 2009.

(d) The balance of the Indo Sri Lanka Loan Account as at 31 December 2009 amounted to Rs.38 million and the loan interest payable thereon as at that date was Rs.1,176.07 million. Action had not been taken to settle these account balances.

(e) Action had not been taken up to 31 December 2009 to settle 16 long term liability balances totaling Rs.1,174.22 million vested with the Sri Lanka Transport Board at the time of establishment of it on 18 October 2005.

(f) Traveling permits had been issued to 12 external institutions on the basis of post recovery of cash and the income had been accounted on cash basis instead of accrual basis. The debtors' ledgers had not been maintained so as to separately identify the income receivable from each institution and as such income receivable from those institutions as at end of the year under review could not be correctly identified. Therefore, a sum of Rs.11.54 million received during the year 2010 had only been adjusted in the accounts as income receivable as at the end of the year under review.

2.2.6 Lack of Evidence for Audit

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

	Item	Value		Evidence not Submitted
		Rs. million		
(a)	Non current Assets	3,590.97	(i)	Detailed Schedule
			(ii)	Register of Fixed Assets
			(iii)	Documentary Evidence to prove Existence and Ownership
			(iv)	Report of the Board of Survey as at 31 December 2009
(b)	Investments	416.77	(i)	Schedules showing the details of Investments
			(ii)	Investment Certificates
(c)	Miscellaneous Debtors	1,541.09	(i)	Detailed Schedule including the individual balances.
			(ii)	Certificate for confirmation of balances.
			(iii)	Age Analysis for Rs.253.67 million
(d)	Creditors	4,109.87	(i)	Detailed Schedules
			(ii)	Age Analysis for Rs.1,784.84 million
(e)	Stock Balance	1,788.90	(i)	Reports of the Board of Survey of stocks
			(ii)	Net Realizable Value of the Stocks
(f)	Sale of 32 Buses	4.14		Evidence to prove that the buses condemned prior to sales

(g)	Bank Balance	159.59	Number of Bank Accounts and Schedules showing each balance separately
	Bank Overdraft	424.47	

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

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The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc	Non-compliance
(a) Section (8) (1) of the Finance Act No.38 of 1971 and paragraph 5.2.4 of the Circular No.PED/12 dated 02 June 2003 of the Department of Public Enterprises	Even though the budget for the ensuing year should have been prepared before 03 months prior to the commencement of the financial year and it should be approved by the Board of Directors, the Budget presented to audit had not been approved by the Board of Directors.
(b) Employees Provident Fund Act No.15 of 1958 and the Minutes and regulations of the Employees' Provident Fund of the Board	Even though the contribution for the Provident Fund recovered from the salaries of the employees and the contribution of the Board thereon should be credited to the Employees Provident Fund Account before end of the month following the earning month, a sum of Rs.594.37 million including contributions for the year under review and the preceding years and a sum of Rs.437.18 million had not been credited to the Provident Fund maintained by

the Board and to the Employees Provident Fund maintained by the Central Bank of Sri Lanka respectively. As a result, a surcharge of Rs.6.77 million had to be paid in the year under review.

(c) Employees Trust Fund Act No.46 of 1980.	Even though an amount equivalent to 03 per cent of the salary of the employee should be credited to the Fund by the Board before the last date of the month following the earning month, a sum of Rs.37.45 million including contributions for the year under review and the preceding years had not been credited accordingly. As a result, a surcharge of Rs.543,450 had to be paid during the year under review.
(e) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
F.R 387	The Board had obtained Bank overdraft facilities during the year under review and the balance of the bank overdraft as at 31 December 2009 amounted to Rs.424.4 million. The overdraft interest paid during the year under review amounted to Rs.26.92 million.

2.2.8 Unsettled Transactions

The following observations are made.

(a) Action had not been taken to find out and settle relating to provision of Rs.33.31 million made for the damaged goods of the stores which were being brought forward from the previous years.

(b) Action had not been taken even during the year under review to settle two account balances of advances issued amounting to Rs.4.89 million which were being brought forward from the year 2005.

(c) Even though advances granted for purchase of goods should be settled immediately after purchasing the goods, action had not been taken to settle the advances amounting to Rs.22,000 granted during the year under review.

(d) Action had not been taken even during the year under review to settle the credit balances of the special advance accounts of the Head Office amounting to Rs.491,650 which were being brought forward from the year 2007.

(e) The balance of the fuel stock in transit account as at 31 December 2006 amounting to Rs.1.23 million appeared under the Regional Transport Board had not been settled even up to the end of the year under review.

(f) Action had not been taken even during the year under review to settle the work in progress account balance amounting to Rs.35.75 million which were being brought forward before year 1999.

(g) Even though the Department of Public Enterprises had granted approval on 30 July 2002 to carry out complete examination relating to non moving assets and liabilities at the total value of Rs.1,221.3 million and to write off from the books on the basis of the knowledge and approval of the Board of Directors, action had not been accordingly taken in respect of those assets and liabilities.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the Sri Lanka Transport Board had incurred a loss of Rs.7,976.08 million for the year ended 31 December 2009 whereas that loss had decreased up to Rs.1,611.7 million due to the grants of Rs.6,364.38 million received from the Treasury. The corresponding loss for the year 2008 amounted to Rs.7,717.04 million whereas that loss had decreased up to Rs.1,048.8 million due to the grants of Rs. 6,668.24 million received from the Treasury. The financial results for this year had indicated a deterioration of Rs.562.9 million as compared with the preceding year. Decrease of Government grants by 4.5 percent and increase of operational expenditure by 14 percent had mainly attributed for this deterioration.

4. Operating Review

4.1 Management Inefficiencies

According to the financial statements presented, advances amounting to Rs.8.29 million had been paid for the lands acquired at the time of peoplisation 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 find out relating to the existence and ownership of these lands and to register those lands in the name of the Board by settling the advances paid.

5. Accountability and Good Governance

5.1 Presentation of Financial statements

Although 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 2009 had been presented to audit only on 30 October 2012 after a delay of 02 years and 08 months.

5.2 Budgetary Control

Significant variances were observed between the budgeted figures and the actual figures, 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 Institute 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/ Settlement of Account Balances

(f) Vesting of Assets and Liabilities

(g) Budgetary Control

W.P.C.Wickramaratne
Acting Auditor General