ANNUAL REPORT

2010

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 is a pleasure to note that the performance of the Sri Lanka Transport Board (SLTB) in the year 2010 was at a satisfaction level, for which we all can be proud of. This is in fact, encouraging and stimulating for the forward march of the Sri Lanka Transport Board. In addition to providing a dependable and safe passenger transport service to the commuters, special project such as Sisu Seriya, Gemi Seriya and Nisi Seriya have been implemented in a commendable manner which had been admired by the entire society.

When we look back at the past four years an increase of operated kilometers per day by about 100,000 is a healthy development. Operated kilometers of 835,313 in the year 2007 had been increased to 935,940 in the year 2010. This is ample testimony that a commuter friendly service has been provided by the SLTB.

Increase in way bill revenue parallel to the increase in operated kilometers is a source of strength and stability to the organization. Average daily income in 2007 was Rs.29.3 Million whereas in 2010 it has been increased to Rs.40.2 Million. In spite of undergoing financial constraints, particularly when the Treasury grant has been drastically reduced, we were fortunate that we were able to conduct the affairs of the Board in a satisfactory manner.

Obtaining run out details through online application, setting up of a control room to settle complaints of passengers instantly. Introduction of handheld electronic bus ticketing machines coupled with GPRS technology which enables tracing of bus location, revenue collection, operated kilometers etc, re-organization of the Flying Squad Division and the Special Investigation Division under a Director of the Board, procurement of 100 nos passenger transport buses under easy credit basis are some of the project implemented to rejuvenate the SLTB.

Payment of Gratuity to employees, which had long delayed owing financial constraints, was settled in full up to 31.12.2008 providing some form of redress to those retired employees.

It is indeed happen to state that we were able to complete the above tasks satisfactionaly and create a sound environment in the SLTB for which for the kind corporation and support extended by all officers and employees are highly appreciated.

Shashi Welgama
Chairman
Sri Lanka Transport Board

PLANNING & DEVELOPMENT DIVISION

The following activities were undertaken by this division.

Preparation of development plan for the year 2010, and compilation of quarterly progress reports, Profit & Loss statements of all Provincial Workshops, Driver Training Schools, Circuit Bungalows, SLTB Head Office, Orugodawatta Fuel Filling Station were collected at the Head Office and computerized. Profit & Loss statement of Depots and Regional Offices received through the internet were combined and summarized Profit and Loss reports were prepared. Analysis reports on summarized reports were submitted to senior management. Quarterly credit reports, reports for securing season ticket subsidies, reports required by the central Bank and budget committee were also prepared by this office.

INTERNAL AUDIT DIVISION

Number of audit queries issued in 2010 is 1,532. The amount recoverable in this respect is Rs.16,385,385.70.

SECRETARIAT DIVISION

Names and designation of the members of the Board of Directors who served in 2010 are given below.

	Name		Designation
1.	Mr.Dhammika Hewapathirana	-	Chairman SLTB
2.	Mr.D.Vidanagammachchi	-	Treasury Representative
3.	Mr.S.P.C.Herath	-	Secretary, Ministry of Provincial Councils and Local Government
4.	Mr.D.L.Dharmapriya	-	Senior Assistance Secretary Ministry of Transport
5.	Dr.S.G.W.Jayasiriwardena	-	Director, SLTB
6.	Mr.K.N.Indratissa	-	Attorney – at – Law
7.	Col.P.Ratnayake	-	Director

12th meeting	-	(2009) 12th January 2010
01st meeting	-	16th March 2010
02nd meeting	-	(Special) 01st April 2010
03rd meeting	-	02nd July 2010
04th meeting	-	13th August 2010
05th meeting	-	10th October 2010
06th meeting	-	30th November 2010

From meeting No.03

1. Mr. M.D.Bandusena - Chairman, SLTB
2. Mr. L.A.Wimalaratne - Vice Chairman/Member SLTB
3. Mr.M.M.S.S.B.Yalegama - Senior Asst. Secretary Ministry of Transport
4. Dr. Nihal Jayathileke - Secretary, Ministry of Provincial Councils and Local Government
5. Mr. Ajith Abeysekera - Treasury Representative
6. Mr. Chandrabhanu Adikaram - Member
7. Mr. K. Prasanna kumarasiri de Silva - Member

TENDER BOARD

The total value of purchases approved by the major tender board during the year 2010 are shown below.

Major Tender Board Meeting No	Date	Value	Remarks
01	2010.01.13	No financial value	-
02	2010.02.16	No financial value	-
03	2010.08.11	42,254,625.00	-
04	2010.08.11	49,119,900.00	-
05	2010.08.30	No financial value	-
06	2010.08.11	No financial value	-
08	2010.11.25	No financial value	-

The total value of purchases approved by the minor tender board during the year 2010 are shown below.

Minor Tender Board Meeting No	Date	Value	Remarks
01	2010.01.12	1,450,806.00	-
02	2010.02.26	3,755,354.00	-
03	2010.02.26	3,827,957.84	-
04	2010.03.18	4,707,552.48	-
05	2010.03.18	2,661,696.24	-
06	2010.03.18	3,061,020.00	-
07	2010.06.16	633,047.70	-
08	2010.06.16	320,000.00	Monthly rent Rs.40,000 x 8
09	2010.06.16	4,808,860.00	-

10	2010.06.16	4,998,760.00	-
11	2010.09.10	Disposed the buses	-
12	2010.09.13	2,478,659.42	-
13	2010.09.13	4,973,800.00	-
14	2010.10.05	4,920,370.00	-
15	2010.05.09	4.580,777.82	-
16	2010.10.08	4,204,113.95	-
17	2010.10.12	1,711,963.00	-
18	2010.10.12	2,300,000.00	-
19	2010.10.12	173,978.51	-
20	2010.10.19	2,367,302.73	-
21	2010.10.18	4,680,775.00	-
22	2010.11.19	312,250.00	-
23	2010.12.10	Regarding bus ticket machine	-
24	2010.11.30	4,661,978.94	-
25	2010.12.13	3,205,039.10	-
26	2010.12.13	4,991,519.50	-
27	2010.12.07	Approval of motor spare parts prices	-
28	2010.12.29	1,741,259.70	-
29	2010.12.29	1,800,000.00	-
30	2010.12.29	1,158,528.00	-
31	2010.12.29	3,772,117.80	-
	Total	**84,259,487.73**	

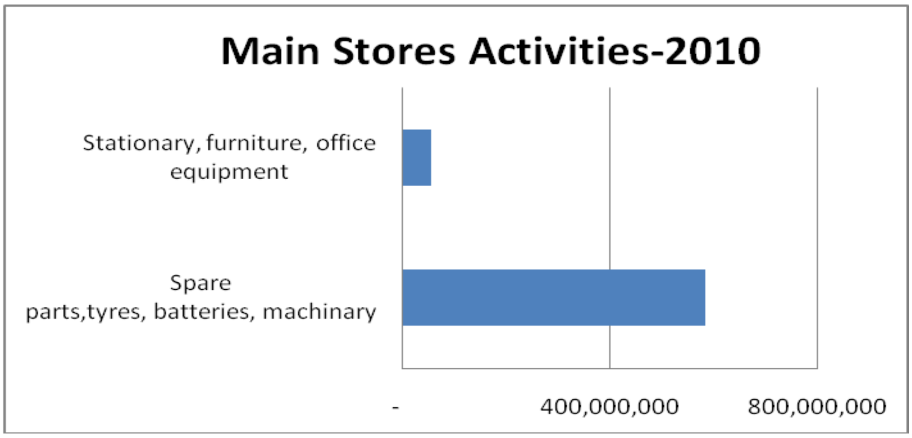
SECURITY DIVISION

- Investigation were carried out on all written complaints by passengers against all regional offices, Depots, Sub Depots, Provincial Workshops and Driver Training Schools belonging to the SLTB.
- Fire extinguishing work
- 250 investigation were carried out in 2010
- Issue of daily travel passes for payment of security deposits and for financial transactions of SLTB.
- Provided security to important places and distinguished people of agencies under the SLTB. Vehicle parking and controlling and supervision of all supplies and issues to relevant agencies were also handled.

COMMERCIAL & SUPPLIES DIVISION

The value of spare parts, stationary, office equipment, furniture, tyres and batteries issued both by the Central Stores at Katubedda and Main Stores at Narahenpita are given below;

Spare parts, tyres, batteries, machinery and implements	-	Rs. 584,432,658.28
Stationary, furniture and other office requirements	-	Rs. 55,636,835,.47



OPERATION DIVISION

1. Activated in obtaining daily operational details through the Internet.

   Daily information including level of bus operation at the depots and revenue collection was obtained through fax messages for considerable time. This system was streamlined to receive information expeditiously and accurately and to enable higher officials of the SLTB Head Office to reach to this information at any time through the Internet. This Internet System was established with the guidance of Manager Information & Technology.

2. Establishment of Control Room

   A Control Room was set up at the SLTB Head Office with a view to settle problem of passengers directly by discussing them with the relevant officials of the Depot and by confering with the parties simultaneously.

3. Introducing G.P.R.S ticketing machine

   New bus ticketing machines were introduced with a view to reduce the pressure of issuing bus tickets in heavy traffic routes, trace the location of buses, send them instructions, reduce opportunities for misappropriation and gather the required information accurately and expeditiously. By now udahamulla depot has been completely equipped with new bus ticket machines and it is also being operated at Yatinuwara and Kurunegala Depots.

4. Re-organization of the flying squad division

With the view to increasing the way bill revenue and to promote discipline among drivers and conductors. The flying squad division has been reorganized and entrusted to be managed by a director of the board with the development of this division ,under director (investigations) some progress is observed in revenue collection and employee discipline.

5. Issue of free travel passes utilizing information technology facility.

Issue of free travel passes to the Three Forces, Police, Officials of Parliament, and others entitled for them have been started by utilizing the information technology facility.

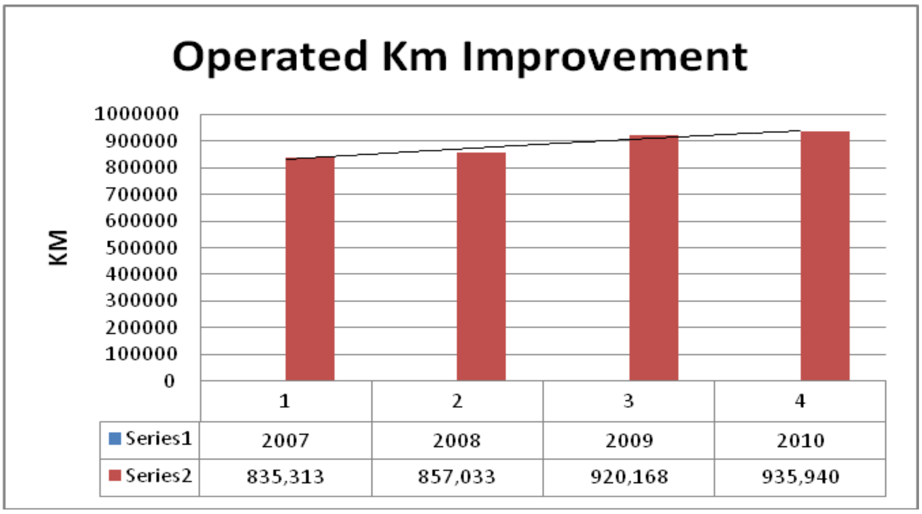
6. Procurement of buses under leasing facility

The policy hitherto adopted was to procure new buses to SLTB through Government Funding. Deviating from this practice 100 new buses were procured through leasing basis and added to the fleet, establishing the fact that the leasing component can the settled after earning it through the operation of the bus. Although this programme was implemented in 2010, due to certain delays the buses were delivered only in January 2011.

7. Improvements of Operational Activities.

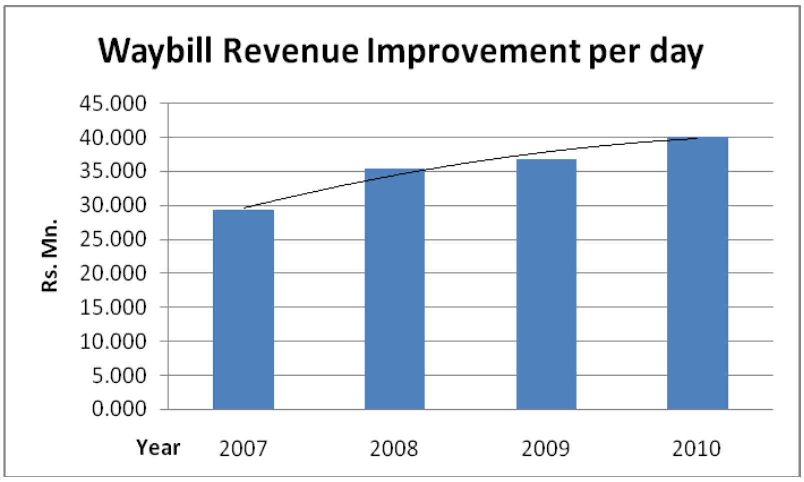
Improvement of kilometers operated per day

No. of Kilometers operated per day - 2007	835,313
No. of Kilometers operated per day – 2008	857,033
No. of Kilometers operated per day – 2009	920,168
No. of Kilometers operated per day – 2010	935,940



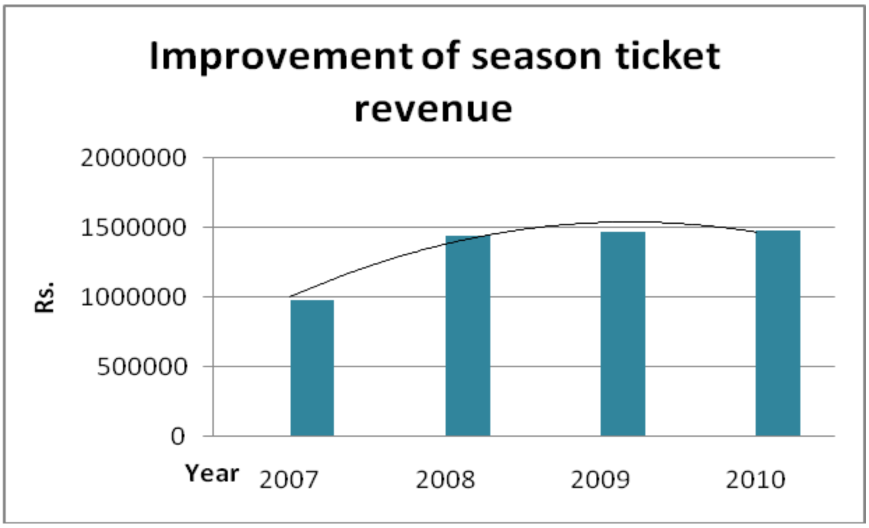
Improvement of Waybill Revenue per day

Waybill revenue per day	2007	Rs. Mn.	29.300
	2008	Rs. Mn.	35.446
	2009	Rs. Mn.	36.829
	2010	Rs. Mn.	40.156



Improvement of Average Season Ticket Revenue per day

Average Season Ticket sales per day - 2007	Rs.	984,430
Average Season Ticket sales per day - 2008	Rs.	1,443,219
Average Season Ticket sales per day - 2009	Rs.	1,469,222
Average Season Ticket sales per day - 2010	Rs.	1,485,046



Social Projects.

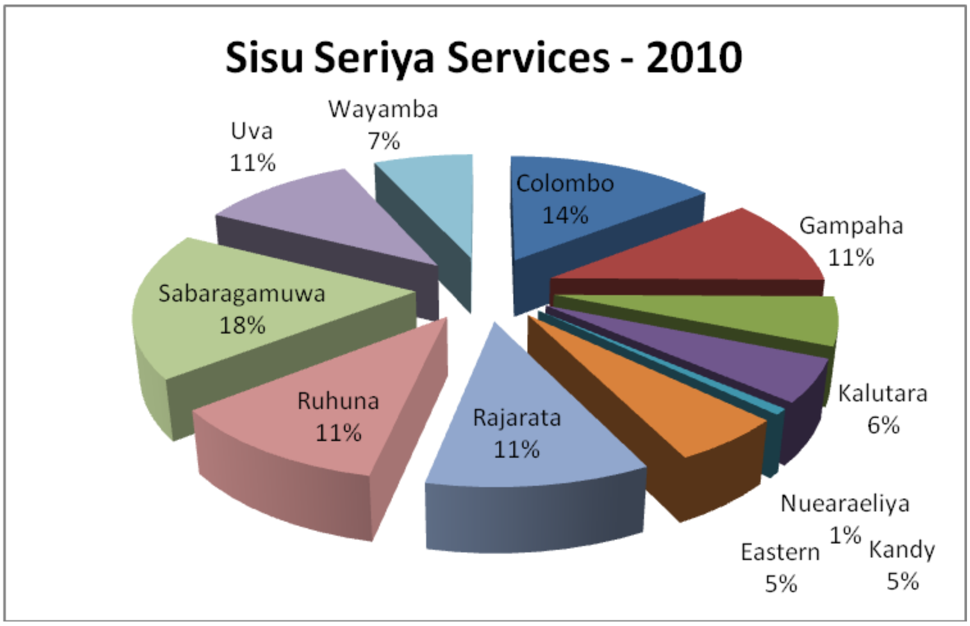
Details of services operated by SLTB during 2010 under Sisuseriya, Gemi seriya and Nisiseriya on an agreement reached between SLTB and National Transport Commission are given below.

Project	Number of Seivices
Sisu Seriya	540
Gemi Seriya	240
Nissi Seriya	40

Sisu Seriya

Total number of Sisuseriya services operated by the SLTB during the year 2010 is 540.Its contribution according to SLTB region is given below.

Region	Number of Seivices
Colombo	78
Gampaha	58
Kalutara	32
Kandy	28
Nuwaraeliya	4
Rajarata	58
Eastern	30
Ruhuna	60
Sabaragamuwa	97
Uva	58
Wayamba	37
TOTAL	540



Gemi seriya

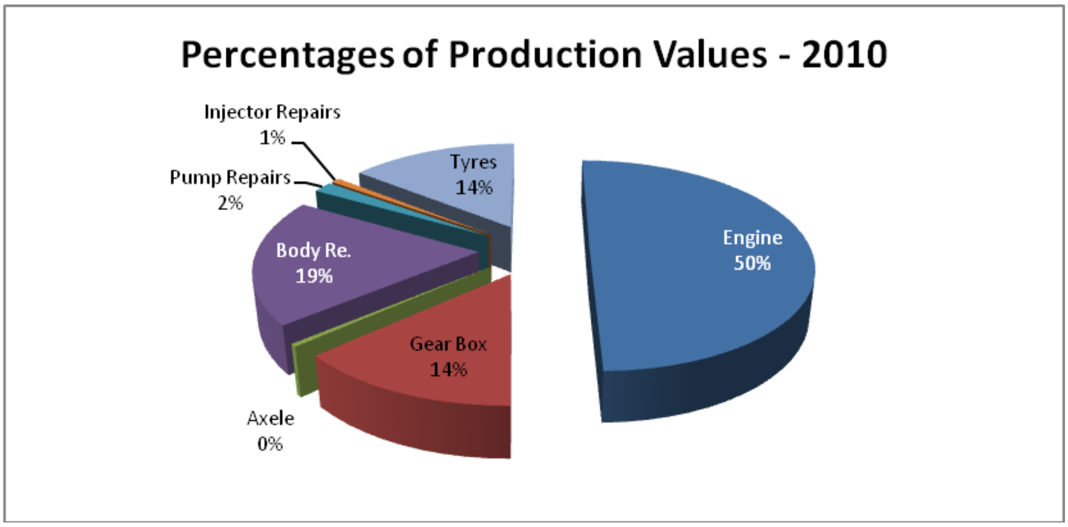
With the agreement reached between SLTB and National Transport Commission ,under the Gemi Seriya project ,240 services were operated covering rural areas during the year 2010 . But the National Transport Commission has Provided Gemi seriya financial allocation only from January to June 2010 for the relevant services operated. Gemi seriya services according to the SLTB region are given below.

Region	Number of Seivices
Colombo	11
Gampaha	38
Kalutara	19
Eastern	25
Ruhuna	33
Sabaragamuwa	5
Uva	40
Wayamba	69
TOTAL	**240**

TECHNICAL DIVISION

Production value of work done through Provincial Workshops.

Category	Units	Value (Rs)
Engine	322	53,191,044.00
Gear Box	193	14,664,121.00
Axle	09	473,582.00
Repairs to body of Buses	108	20,577,809.00
Repair of Pumps	187	1,774,101.00
Injector	774	826,873.00
Tyres	2,590	15,353,166.00



FLYING SQUAD DIVISION

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

Year	Severe frauds	Minor frauds	Fines collected from passengers who travelled without tickets
2010	1,156	5,162	Rs.1,670,893.00

TRAINING DIVISION

The Training Division has conducted training programmes for the following employee groups during the year 2010.

- Training for Night Duty Officers and Security Inspectors
- Workshop for Graduate Probationary Officers
- Administrative Officers
- Accident Officers
- Book Keepers
- Employees of the Head Office
- Inquiry Officers of Regions
- Investigation Officers of Depots
- Traffic Control and Time Keeping Officers
- Conduct of Productivity Training Sessions.
- Engineers of all Region
- Assistant Managers (Finance)
- Store Keepers
- Security Officers
- Drivers and Conductors
- Assistant Operation Managers
- Subject Clerk (Roaster)
- Depot Managers

INFORMATION TECHNOLOGY DIVISION

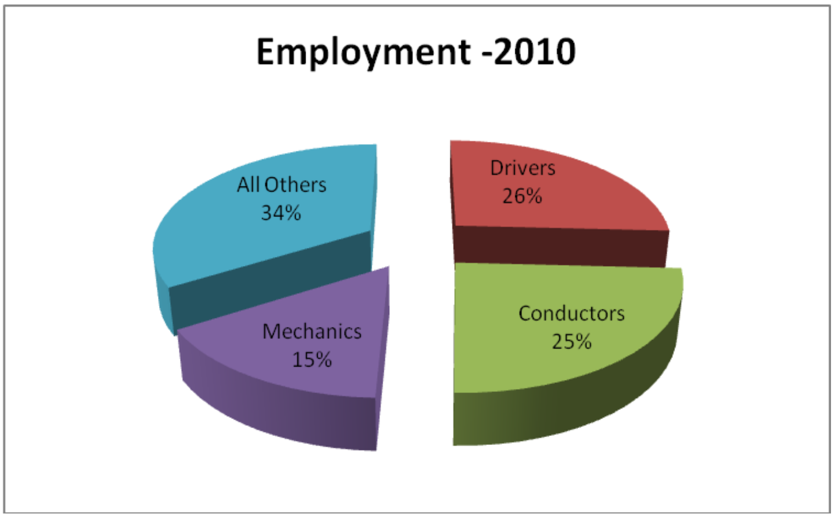
1. Amendments effected to Profit & Loss Statement information system (finance division)
2. Creation of an Inventory Control System to the Information and Technology Division (I.T. Division)
3. Amendments effected to Human Resources information system (H.R. management)
4. Profit & Loss Statement Training Programme implemented for Assistant Accountant of all regions. (SLTB)
5. Creation and implementation of a Run Out project for Operation Division (SLTB)
6. Implementation of Route Plan project (SLTB)
7. Preparation of SLTB bus renovation information system (SLTB)
8. Implementation of Run Out training programme (SLTB)
9. Implementation of Route Plan training programme (SLTB)
10. Six month Computer Training programme offered to regional Coordinator(SLTB)
11. Implementation of ICS (Inventory Control System) at all Depot throughout the Island for IT related equipment (SLTB)
12. Installation of a network connecting the Chairman office and Chairman A.O. office (LAN)
13. Connecting of Internal Audit Division to computer network system. Creation of a WIFI zone for Laptop users (Internal Audit Division)
14. Setting up of a LAN connecting the Supplies Division and Stores network of the Head office (Supplies Division)
15. Installation of a Telephone Transfer System(PxBx) connecting 168 new permanent telephones at the Head Office and attending to technical work (Head Office)
16. A programme was implemented for SLTB to view and create billing report for all the land lines by using call monitoring software.
17. Installation of a Main Router for the SLTB Wide Area Network through Dialog Telecom and against in technical related issues.
18. Arrangements were made for all Regional Offices except Nuwara Eliya to the connected with the SLTB. VPN

19. Action was taken to connect Depots in Colombo, Gampaha and Kalutara Region, Depots in the southern Region and a majority of depots in the Jaffna Region with the SLTB VPN
20. Arrangements were made to provide E-mail addresses for head of division and other eligible persons.
21. Provided Video Phones to Senior Management of the Head Office and all Regional Managers
22. Internet facility and I.P. Phones were provided to SLTB Call Centre.
23. Installed and arranged for monitoring of the CBS from the Head office through the CCTV system.
24. Provided LAN facility for the second computer room of the Finance Division.
25. Networking of the Productivity House (Paladayitha Piyasa)

HUMAN RESOURCES DIVISION

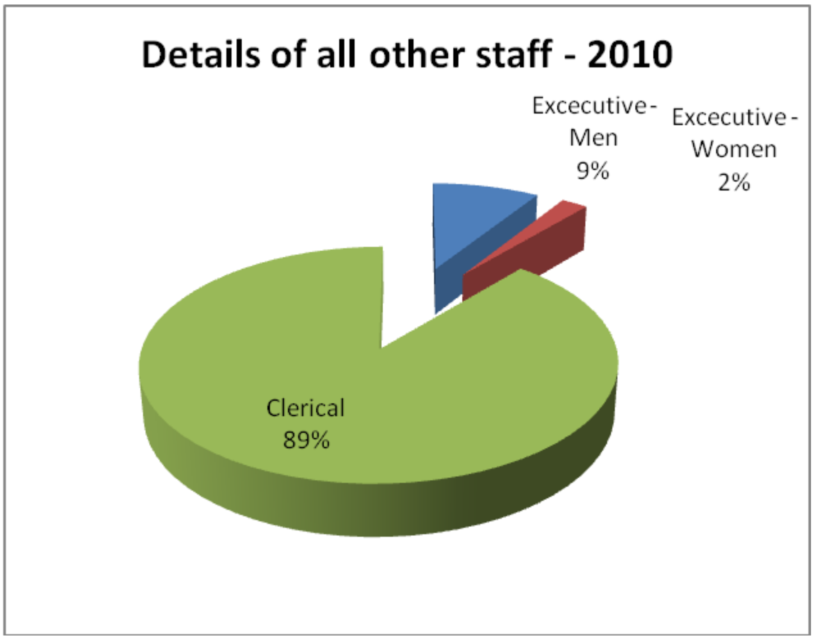
Cadre details for 2010 as category wise are given below.

Drivers	8,972
Conductors	8,583
Mechanics	5,452
All other Staffs	11,765
TOTAL	34,772



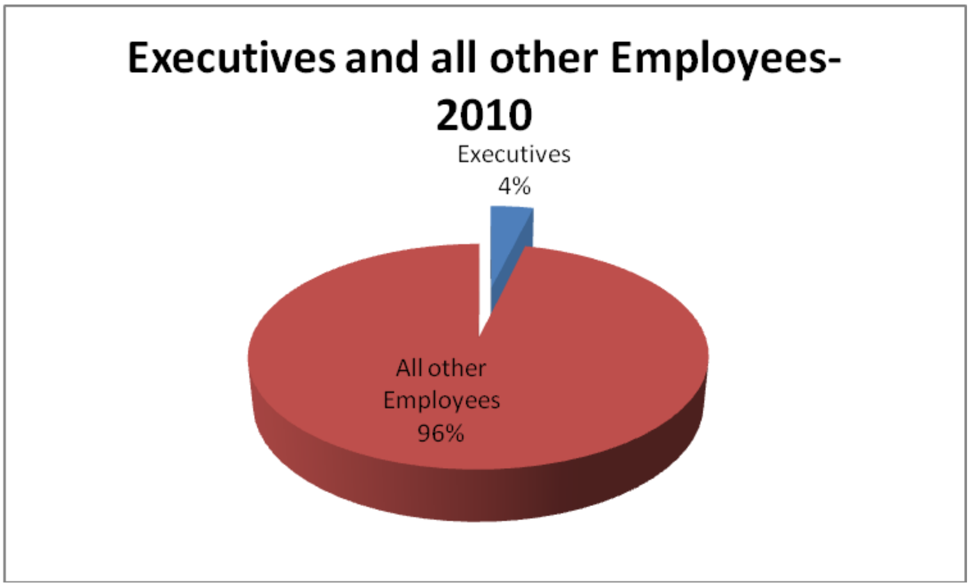
All other staffs

Executives – Male	1,048
Executives – Female	260
Clerical and Allied	10,457
TOTAL	11,765



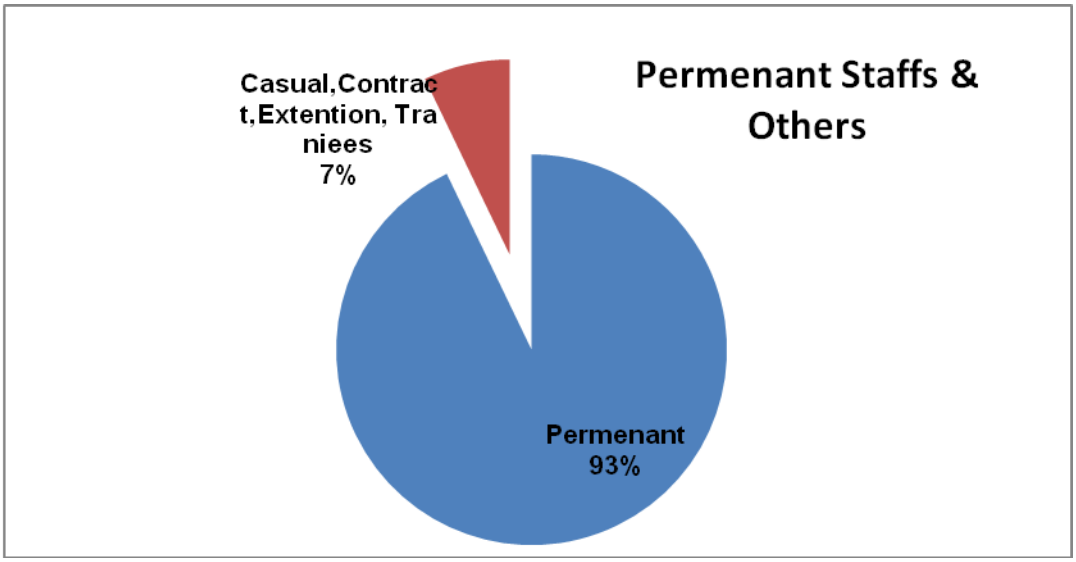
Executives and all other Employees

Executive officers	1,308
All other Employees	33,464
	34,772



Permenant Staffs & Others

Permenant staffs	32,284
Casual/Contract/Extention/Trainees	2,488
TOTAL	34,772



MEDIA DIVISION

- Providing of "Sri Lanka Puwath" newspaper volume 4 in January and Volume 5 in June 2010.
- Handamama programme relayed by the SLBC was held with the participation of children of depot employees up to January 2010 by the name of "Handama Langama Charika".
- To enable SLTB employees to enjoy high quality cinema for the second time a film by the name "FATHER" produced by an iranion producer by the name Majid Majid was telecast during lunch time on 18th February 2010 at the SLTB Head Office
- Contributed to the Library Development Project of SLTB
- Media coverage offered for special occasion of the SLTB and special news items were relevant to the media and assisted to give due publicity.
- News items appearing in the daily newspaper on SLTB are conserved. At the same time these items are reported to the relevant Divisions for the attention of the Head of Divisions.

Accounting Policies

1. The financial Statements have been prepared in accordance with "Sri Lanka Accounting Standard" and generally accepted Accounting Principles applied on historical cost basis and present the consolidated position after combining financial results of peripheral units of S.L.T.B.

2. Generally accepted accounting principles have been followed in the preparation of the Balance sheet Accounts of the Board and accounting policies have been applied consistently revenue and expenditure been accrued and recorded in the Financial Statements of the period to which they relate.

3. Fixed Assets have been shown in the Balance sheet at cost less depreciation. Capital work-in progress is not treated as fixed assets.
   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%
Bus Engine	20%

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

මගේ අංකය / எனது இல / My No. RT/B/SLTB/FA/2010

ඔබේ අංකය / உமது இல / Your No.

දිනය / திகதி / Date 28 May 2014

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 2010 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 2010 comprising the balance sheet as at 31 December 2010 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 2010 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 04 October 2013.

1.2 Management's Responsibility for the Financial Statements

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

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. These Standards require

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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ෆැක්ස් අංකය / பக்ஸ் இல / Fax No. 2887223
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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 2010 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. 12,278.11 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 Policies

(a) According to the financial statements, deferred income totaling Rs. 41.45 million comprising of Rs. 40.95 million in respect of purchased of engine kits under the Treasury grant valued at Rs. 204.73 million during the year under review and Rs. 0.5 million on behalf of the buses valued at Rs. 3.99 million had not been accounted for in accordance with SLAS No. 24. Therefore, the loss had been overstated by that amount.

(b) Hundred and fifty two buses engine kits valued at Rs. 204.73 million purchased during the year under review had been separately shown in the financial statements and it was stated that the depreciation at the rate of 20 per cent will be made thereon. However, the value of engine kits purchased during the preceding years had been included in the busses account and the depreciation thereon had been made at the rate of 12.5 per cent. This position had not been disclosed in the financial statements.

2.2.3 Accounting Deficiencies

The following observations are made.

(a) According to the financial statements, the cost of lands and buildings of the Board had not been separately identified. But, it was assumed that a sum of Rs.160.94 million representing 50 per cent of the above total cost as the cost of the buildings and of this. provision for depreciation had been made on the basis of straight line method at the rate of 2.5 per cent.

(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 contrary to the provision of the Payment of Gratuity Act, No.12 of 1983. As a result, the accuracy of the balance in the provision for gratuity account amounting to Rs.3,191.78 million had not been confirmed.

(c) The book value of assets and liabilities amounting to Rs.217.68 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 and shown in the financial statements even during the year under review.

(d) Although 265 bus engines valued at Rs. 341.75 million ordered during the previous year had been received to the Board by the end of the year under review, out of that Rs. 204.73 million only had been taken to accounts. As such, assets and government grant had been understated by Rs. 137.02 million.

(e) Three buses sold had been entered twice during the year under review and another three buses sold during the previous year had been entered as sale of the year under review. As a result profit on sale of buses had been overstated by Rs. 1.01 million and the overall loss also had been understated by similar amount. Further, the balance of buses condemned account and provision for depreciation account of buses condemned had been understated by Rs. 2.39 million and Rs. 2.38 million respectively.

(f) When sale of a bus condemned with the cost of Rs. 315,000 and accumulated depreciation of Rs. 314,000 during the year under review, the cost and the accumulated depreciation had been entered as Rs. 3,150,000 and Rs. 3,149,000 respectively and as a result the balance of buses condemned account and provision for depreciation account of buses condemned had been understated by Rs. 2,835,000.

2.2.4 Unexplained Differences

The following observations are made.

(a) Even though according to the computer printouts issued by the Treasury relating to the Expenditure Head of the Ministry of Transportation a sum of Rs. 849.28 million had been released for capital expenditure, only Rs. 3.99 million had been accounted in the statement of changes in equity under the Government grants. The non-accounting of 265 engine kits to the value of Rs. 341.75 million received under the Government grants had attributed for this difference and the reasons for remaining Rs. 503.54 million had not been furnished.

(b) According to the report certified and forwarded by the Department of Registrar of Companies, the share capital of the Treasury amounted to Rs.3,944.89 million whereas it had not been included in the financial statements.

(c) It was stated in the financial statements that 742 buses with the cost of Rs. 319.77 million and the accumulated depreciation of Rs. 319.03 million had been sold for Rs. 115.55 million during the year under review. As per the information obtained from the Procurement Division the sales value was Rs. 125.59 million. The reasons for this difference had not been furnished.

(d) According to the financial statements presented, the value of stock was Rs.1,967.88 million. However, according to the stock verification report submitted for audit the value of stock was Rs.715.74 million. Accordingly, reasons for the difference of Rs.1,252.14 million had not been furnished.

2.2.5 Suspense Account

The credit balances in 05 suspense accounts as at 31 December 2010 which was brought forward continuously for a period of more than 10 years by changing the balances totalled Rs.400.68 million and these balances had not been settled even during the year under review.

2.2.6 Accounts Receivable and Payable

The following observations are made.

(a) An age analysis had been submitted only for 15 balances valued at Rs.951.77 million relating to Head Office out of the balances of other receivable accounts as at 31 December 2010 amounting to Rs.1,594.57 million and of this, the value of 26 individual balances remaining over 10 years amounted to Rs.210.31 million. Action had not been taken to recover this amount.

(b) Eighteen balances amounting to Rs.1,347.81 million remaining over a period ranging from 05 years and 10 years included within the creditors amounting to Rs.2,277.0 million relating to the Head Office had not been settled even up to 31 December 2010.

(c) The balances of 05 long term loan accounts totaling Rs.1,976.66 million received from the General Treasury existing over 25 years had not been settled even up to 31 December 2010.

(d) Three account balances of advances issued amounting to Rs.5.69 million which were being brought forward from the year 2005 had not been settled even during the year under review.

(e) Even though advances granted for purchase of goods should be settled immediately after purchasing the goods, the advances amounting to Rs.105,000 granted during the year under review had not been settled.

(f) The credit balances of the special advance account of the Head Office amounting to Rs.331,650 which were being brought forward from the year 2007 had not been settled during the year under review too.

(g) The balance of the Indo Sri Lanka Loan Account as at 31 December 2010 amounted to Rs.38.01 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.

(h) Sixteen 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 had not been settled even up to the end of the year under review..

(i) 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.111.33 million received during the following year had only been adjusted in the accounts as income receivable as at the end of the year under review.

2.2.7 Lack of Evidence for Audit

The following transactions could not be vouched or accepted due to non-rendition of evidences for audit shown against the each item.

	Item	Value		Evidence not Submitted
		Rs. million		
(a)	Non-current Assets	1,842.85	(i)	Detailed Schedules relating to land and buildings, motor vehicles, condemned vehicles and other assets valued at Rs. 239.79 million

			(ii)	Register of Fixed Assets
			(iii)	Report of the Board of Survey as at 31 December 2010
(b)	Investments	525.13	(i)	Investment Certificates valued at Rs. 249.39 million relating to short term investments, fixed deposits and other deposits
			(ii)	Detailed schedules for Rs. 516.41 million relating to 06 investments accounts.
(c)	Miscellaneous Debtors	987.23	(i)	Registers including the individual balances.
			(ii)	Age Analysis for Rs.293.65 million.
(d)	Creditors	2,596.56	(i)	Registers for individual balances.
			(ii)	Age Analysis for Rs.2,101.41 million
(e)	Bank Balance	318.55		A register showing each bank account balance separately
	Bank Overdraft	854.68		

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

The following non-compliances were observed.

	Reference to Laws, Rules, Regulations and Management Decision 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.621.36 million including contributions for the year under review and the preceding years and a sum of Rs.642.13 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. It had been increased by 4.3 per cent and 31 per cent respectively as compared with the preceding year. As a result, a surcharge of Rs.2.25 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.44.9 million including contributions for the year under review and the preceding years had not been credited accordingly. It had been increased by 16.5 per cent as compared with the preceding year. As a result, a surcharge of Rs.543,450 had been paid during the year under review.

(d) Deputy General Manager's (Industrial) Letter of No. SLTB/CM/DGM(Indus.) 2010/18 dated 12 July 2010	Even though instruction had been given to condemn 1,220 buses belonging to 12 regions and remove 143 buses from the vehicle fleet which were sent to Vesco company, action had not been taken accordingly.

2.2.9 Unsettled Transactions

The following observations are made.

(a) 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.

(b) 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.

(c) 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.7,736.84 million for the year ended 31 December 2010 whereas that loss had decreased up to Rs.2,120.39 million due to the grants of Rs.5,616.46 million received from the Treasury. The corresponding loss for the previous year amounted to Rs.7,976.08 million 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 financial results for this year had indicated a deterioration of Rs.508.69 million as compared with the preceding year. Decrease of Government grants by 13.3 per cent and increase of operational expenditure by 5.4 per cent 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.

4.2 Un-economic Transaction

A sum of Rs. 42.43 million had been paid as interest during the year under reveiw on the overdraft facilities obtained by the Board. This has an increase of 57.64 per cent as compared with the previous year. Further, bank charges, bank debit tax and other expenditure totaling to Rs. 51.39 million had been included in the financial expenditure and cancellation of cheques, cheques lapsed and lack of funds in the accounts were the reasons for this situation.

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 2010 had been presented to audit only on 12 February 2013 after a delay of 01 year and 11 months.

5.2 Budgetary Control

Variances between the ranges of 07 per cent to 19 per cent 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 Board from time to time. Special attention is needed in respect of the following areas of control.

(a) Fixed Assets

(b) Stock Control

(c) Accounting

(d) Debtors and Creditors

(e) Confirmation/ Settlement of Account Balances

(f) Vesting of Assets and Liabilities

(g) Budgetary Control

H.A.S. Samaraweera
Auditor General