

National Transport Commission - 2011

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1. Financial Statements

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1.1 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the National Transport Commission as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

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1.2.1 Best Accounting Practices

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The following several instances of non-compliance with the Best Accounting Practices were observed.

(a) Cash flow statement had been submitted with the following deficiencies.

- (i) Sums aggregating Rs.2,999,312 spent for purchasing equipment had been entered as cash inflow instead of entering as cash outflow.
- (ii) Cash amounting to Rs.35,814 and profits of Rs.24,639 received from disposal of assets during the year under review had not been clearly indicated in the cash flow statement.
- (iii) Increase in the value of payables during the year under review was less value by Rs.50,088,421 than the value shown in the cash flow statement. Reason for this difference had not been submitted for audit.

(b) The deferred revenue income aggregating Rs.6,697,050 from the year 2006 to year 2009 had not been considered and as such surplus had been understated by that

amount and the balance of the provision for differed income had been over stated by that amount.

### 1.2.2 Accounting Deficiencies

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The following observations are made.

- (a) Fixed assets totalling Rs.2,374,123 purchased under 2 Projects had been overstated by 130,478 while capitalizing its cost.
- (b) Expenditure totalling Rs.721,140 incurred for the year under review for improvement of buildings had been brought to account as recurrent expenditure instead of capitalizing it to the cost of the building. The surplus for the year had been understated by that amount due to this reason.
- (c) Although the interest income to be received for fixed deposits for the year under review totalled to Rs. 9,832,040, this income receivable had been accounted as Rs.9,633,007 and as such the surplus had been understated by a value of Rs.199,032.
- (d) Expenditure under 3 projects had been brought to account overstating by Rs.22,475,871 and expenditure under one project had been brought to account understating by Rs.305,616 and as such the project expenditure had been brought to account overstating by a sum of Rs.22,170,255 as its net results.
- (e) Expenditure incurred in the months of January and February 2012 relating to the year 2011 had not been accounted as accrued expenditure and as such the accrued expenditure for the year under review had been overstated by Rs.23,583,430 and understated by Rs.34,761. Therefore, surplus for the year had been understated by Rs.23,548,669.

- (f) A sum of Rs.1,516,571 paid as salaries to 02 Consultants and 02 Coordinators recruited for Bastian Mawatha Terminals had been brought to account under other 02 Projects.

### 1.2.3 Unreconciled Control Accounts

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According to the financial statements, the total of 3 control accounts amounted to Rs.17,583,296 whereas according to the relevant subsidiary records submitted for audit the total of those accounts amounted to Rs.17,717,980. Therefore, a difference of Rs.268,381 was observed. Reasons for this had not been submitted for audit.

### 1.2.4 Lack of Evidence for Audit

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The following observations are made.

- (a) The value omitted from the provision for depreciation and the profit obtained from the disposal of assets could not be satisfactorily vouched due to non submission of registers relating to the assets at the cost of Rs.921,038 disposed off during the year under review.
- (b) A sum of Rs.350,551 had been spent during the year under review relating to the vehicles obtained on rental basis for monitoring the office of the Provincial Road Authority and Bus Stands by the Commission and a proper programme or a report thereon had not been submitted at the end of the period.
- (c) Reports on mobile inspection of the officer of the Flying Squad of the Commission deployed in the service at the Bastian Mawatha had not been submitted at the audit inspection and as such, it was unable to submit the observations on performance of the above officers and to evaluate the functions.

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

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The following non-compliances were observed.

Reference to Laws, Rules , Regulations and Management Decisions	Non-compliance
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(a) Eliminating Section 18 of the National Transport Commission Act, No.37 of 1991 by Section 37 of the Sri Lanka Transport Board Act, No.27 of 2005 and substituting Section 18(1) instead of that.	Although court cases had been filed on buses operating without the valid passenger service permit and penalties had been imposed, it was revealed that buses were operated continuously without the permits.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
F.R. 371 (2) (b)	(i) Although advances should be settled immediately after completion of activities for which it was obtained, settlement in such 31 instances had delayed ranging from 02 days to 59 days.  (ii) Comparison of advances obtained with the expenditure revealed that the percentage of expenditure had been from 25 per cent to 49.7 per cent in 07 instances whereas advances amounting to Rs.30,000 had been obtained and the same amount had been settled after 10 days without carrying out any

expenditure from the above amount.

- (c) Public Administration Circular  
No.29/98 dated 30 December 1998.

Paragraph 3.2.1 (viii)

An allowance of Rs.16,240 comprising an allowance that is paid once amounting to Rs.2,500 and a salary increment of Rs.150 and a salary increment of Rs.325 not relevant to the pension had been paid from 15 May 2009 up to December 2011 to an officer for a certificate obtained from an institution which is not acceptable to obtain language proficiency allowance in terms of the Circular.

- (d) Paragraph 2 of the Public Finance  
Circular No.353(5) dated 24 August  
2004.

Although the maximum amount to be paid for a vehicle obtained on hire basis was Rs.40,000, sums Rs.86,229 and Rs.339,536 had been overpaid during the year under review for two vehicles obtained during the year 2010 and 2011 respectively.

- (e) Public Enterprises Circular  
No.PED/28 dated 31 January 2005.

Three vehicles had been obtained on hire basis during the year under review with the relevant approval. Although agreement should be entered into in terms of the circular instructions, action had not been taken for entering into an agreement relating to 02 vehicles.

- (f) Procurement Guidelines dated 25  
January 2006

(I). Paragraphs 3.2.2(a) and 3.4.3

Although a list including names of suppliers for obtaining vehicles on hire basis during the year

(b) (ii) under review should be prepared, it had not been done so whereas the vehicle suppliers had been selected without calling for open tenders or newspaper quotations.

(II). Paragraph 5.4.10 (c) Although a sum of Rs.78,000 should be deposited as performance bond for the contract for printing terminus board stickers, an instance of investing less amount of Rs.33,000 was observed.

(III). Paragraph 8.11.06 (a) Although the conditions of printing terminus board had been violated by the contractors, a data source relating to the contractors/ suppliers who had violated the conditions had not been maintained by the Commission in terms of the circular instructions.

(g) Paragraph 08 of the Public Publishing Advertisement at the total value of Enterprises Circular No.PED/57 Rs.1,830,382 had been given to 02 private dated 11 February 2011. institutions in 14 instances without taking action to obtain the maximum discounts from the Government media institutions while publishing newspaper advertisements by the Commission.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the operation of the Commission for the year under review had resulted in a surplus of Rs.192,801,311 as compared with the corresponding surplus of Rs.68,002,813 for the preceding year thus indicating an improvement of Rs.124,798,498 in the year under review as compared with the preceding year. In this connection income had increased as road permit license income, interest

income and other income by Rs.131,947,807, Rs.16,074,674 and Rs.145,033,887 respectively.

### 3. Operating Review

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#### 3.1 Transactions Contradictory to the Objectives

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The following observations are made.

- (a) A sum of Rs.7,335,546 had been spent for other additional expenditure except the activities to achieve the basic objectives of the Gemi Seriya Projects and it represented 48.49 per cent of the total expenditure.
- (b) The provision of Rs.9,548,441 allocated for Sisu Seriya Project had been spent for other expenditure. It represented 4.67 per cent of the total expenditure.
- (c) A sum of Rs.248,889 had been spent by the Commission for the Programme of obtaining one million signatures against the Dharusman report of the General Secretary of the United Nations and it was observed in audit that it was a transaction that not assisting to achieve the objectives of the Commission.

#### 3.2 Management Inefficiencies

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The following observations are made in this regard.

- (a) Although a sum of Rs.36,594,963 had been spent from March 2009 to December 2011 for the City Liner Coach Service commenced for the purpose of reducing the traffic congestion in the Colombo City and reducing fuel consumption and environmental pollution, the expected purpose had not been adequately achieved. It was observed that this service was abandoned due to this reason.

- (b) Although it was shown that issuing permits for new passenger services by the Commission should be done after verifying about the request of the passengers for issuing permits, it was observed that 12 permits had been issued during the years 2010 and 2011 without carrying out such verification.

### 3.3 Operating Inefficiencies

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Although two groups of flying squads consisting of 15 officers had deployed in the service from 11 days to 22 days and 15 days to 21 days respectively, number of days deployed in the service was not adequate.

### 3.4 Identified Losses

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The following observations are made.

- (a) A sum of Rs.5,640,977 had been paid during the year 2010 relating to 12 buses for Gemi Seriya without carrying out examination whether the conditions to be fulfilled had been actually completed whereas it was confirmed in carrying out examination by the institute in this regard that there was a fraud regarding the payment of this cash.
- (b) Quotation had been called for relating to 04 passenger service permits for 03 routes and the Commission had informed that accepting permits had been refused due to influence over the bidder who had submitted the highest quotation. Subsequently, the tender had been cancelled instead of offering tender to the bidder who had submitted the second highest quotation and the entire sums totalling Rs.60,000 obtained as deposit and application fees had been paid to the applicants. However, a sum of Rs.72,912 had been spent for the news paper advertisements in relating to the above tender.

3.5 Delays in Implementation of Projects

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The following deficiencies were observed.

- (a) Although the Commission had prepared a combined timetable according to the national policy for preparing combined timetable for buses of the Sri Lanka Transport Board and private buses, it was unable to find a solution to the obstacles and limitations appeared for implementing it and as such it was unable to achieve the objectives such as providing transport facilities on the necessity basis, improvement of quality and improvement of legal and managerial powers.
- (b) There was a delay in the installment of GPS equipment for buses in the region of North and South and the progress was 14 per cent and 62 per cent respectively. Delays had been occurred for achieving the objective of installment of this equipment due to non commencement of supervision activities of the Control Unit investigation activities. Similarly, those equipment had been issued free of charge under the pilot project. However, the Commission had paid a sum of Rs.600,000 for purchasing 20 equipment and a sum of Rs.94,168 for 20 SIM Cards utilized.

3.6 Resources given to other Government Institutions

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Although resources belonging to the Government enterprises should not be taken for utilization of other Government institutions in terms of paragraph 8.3.9 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, instances of taking action contrary to this are given below.

- (a) Sums aggregating Rs.2,059,866 had been spent during the year 2010 and the year under review for the Ministry of Private Transport Services and this amount had

been written off from the accounts in the year 2011 due to non reimbursement of this amount.

- (b) Expenditure amounting to Rs.517,925 which should be spent by the line Ministry but spent during the year under review by the Commission had been accounted for under the expenditure of the Commission.
- (c) It was observed at the audit test check that 05 newspaper advertisements had been published by the Commission relating to the Ministry of Private Transport Services and sums totalling Rs.836,150 had been spent in this regard.
- (d) Although it was informed to the relevant Ministry relating to a sum of Rs.1,260,497 shown in the financial statements for the year 2010 as receivables which was spent for the Ministry of Transport, it had been written off from the accounts in the year 2011 due to inability to reimburse it.
- (e) An officer appointed to the post of Coordinator on 28 November 2011 had been released to the Ministry of Private Transport Services from that date and a sum of Rs.13,500 had been paid as salaries for the month of December.

### 3.7 Personnel Administration

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Approved cadre and actual cadre of the National Transport Commission as at 31 December 2011 are given below.

	Approved Cadre	Actual Cadre	Vacancies	Excesses
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Executive	20	14	(6)	-
Non executive	143	113	(32)	2
Others	27	22	(5)	-
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	190	149	(43)	2
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The following observations are made in this regard.

Eight officers had been recruited during the year under review for 02 posts which were not included in the approved cadre. Comparison of approved cadre with the actual cadre revealed that there were vacancies for 43 officers and excesses of two officers.

#### 4. Accountability and Good Governance

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##### 4.1 Corporate Plan

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The following observations are made.

- (a) Although the Corporate Plan and Action Plan approved by the Board of Directors should be submitted to the Line Ministry, Department of Public Enterprises of the General Treasury and the Auditor General before 15 days of the commencement of the year of accounts, those Plans for the year 2011 had been submitted to the Auditor General only on 28 July 2011.
  
- (b) Resources of the institution at present, review of financial results for the previous three years, expected targets of the performances and performance indicators had not been included in the Corporate Plan.

4.2 Action Plan

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The following deficiencies were observed.

- (a) Although an Action Plan had been prepared for the year 2011, this is not an Action Plan which was prepared by identifying the expected objectives and targets to be achieved during the period mentioned in it and as such it was unable to carry out the evaluation in respect of performance for the year 2011 by carrying out a comparison with progress report prepared by each Unit.
- (b) Particulars of number of new passenger service permits expected to issue during the year 2011 and details of new routes had not been planned or included in the Action Plan for the year 2011.

4.3 Internal Audit

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Although an Internal Audit Unit was in operation, approval had not been obtained for necessary staff and as such it was unable to carry out the functions of the Internal Audit Unit properly.

4.4 Audit Committee

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Although the Audit Committee had conducted 12 meetings monthly during the year 2011 a representative of the Auditor General's Department had been called for as observer only for one meeting.

4.5 Budgetary Control

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Variances at the range of 11 per cent to 1118 per cent were observed between the budgeted figure and the actual figure, thus the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

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

- (a) Investigation Unit and Flying Squad
- (b) Obtaining and Settlement of Advances
- (c) Obtaining Vehicles on Hire Basis
- (d) Printing of Terminus Board Stickers
- (e) Issuing New Passenger Service Permits
- (f) Accounting
- (g) Internal Audit
- (h) Budgetary Control
- (i) Strategic Planning
- (j) Preparing Combined Timetable