Sri Lanka Transport Board – 2013

The audit of financial statements of Sri Lanka Transport Board for the year ended 31 December 2013, comprising the statement of financial position as at 31 December 2013 and the comprehensive Income Statement, 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. A detailed report in terms of 13 (7)(a) of the Finance Act had been issued to the Chairman of the Board on 21 April 2017.

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 controls 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 consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). 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 judgement, 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 financial statements. Sub-sections (3) and (4) of 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 audit opinion.

1.4 Basis for Adverse Opinion

Had the matters described in Paragraph 2.2 of this report had 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 2013 and its financial performance and its 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 Board

As the Board had been incurring continuous losses, the net assets had extensively evaded and as a result, the net assets by the end of the year under review had become a minus value of Rs.26,426,203,650. Therefore, the Board could not be continuously operated without a financial assistance of the Treasury or Government.

In analysing the financial position for the year under review and the previous 4 years, current assets to cover up the current liabilities had been at a low level as 34 per cent of the total liabilities during the period from 2011 to 2013 and this level had been at 42 per cent in the years 2009 and 2010. Non-settlement of payables as specified, not taking action to recover receivables and the balances brought forward for a long period without being settled had mainly attributed to arise this position.

2.2.2 Sri Lanka Accounting Standards

The following non-compliances were observed.

(a) Sri Lanka Accounting Standard 07

The government grants of Rs.918,918,360 which should have been stated as financing activities in the cash flow statement had been shown under investing activities.

(b) Sri Lanka Accounting Standard 08

The following prior period adjustments which should have been retrospectively adjusted, as required by the standard had been made only in the financial statements of the year under review.

(i) Prior period adjustments of Rs.1,284,409,369 shown in the statement of changes in equity.

(ii) Change of cost of Property, Plant and Equipment amounting to Rs.12,311,100 relating to the previous year and adjustments of Rs.4,080,250 made to the accumulated depreciation.

(c) Sri Lanka Accounting Standard 16

(i) Depreciation of an asset begins when it is available for use and shall be allocated on a systematic basis over its useful life. However, the Board had followed the policy that assets were not depreciated in the year of purchase and fully depreciated in the year of disposal. As such, provision for depreciation on property plant and equipment purchased for Rs.2,248,561,384 and used in the year under review had not been made.

(ii) Steps had not been taken even by the end of the year 2016 to revalue and account 2,235 buses, out of the buses belonging to the Board which had been purchased after the year 2005 and fully depreciated and the buses purchased prior to that and still under running condition.

(iii) The net value of fixed assets amounting to Rs.3,511,335,966 which represented fixed assets taken over from 11 cluster Bus companies and 11 Regional Transport Boards integrated at the time of re-establishment of Sri Lanka Transport Board in the year 2005 had been shown in the statement of financial position without being conducted a physical verification or revaluation. Nevertheless, the fair value of these fixed assets had not been depicted in the financial statements.

(iv) The value of Land and buildings as at 31 December 2013 in the financial statements was shown as Rs.319,799,319. Contrary to the Accounting standard, their values had not been identified separately and 50 per cent of the total value of lands and buildings amounting to Rs.159,899,660 had been considered as the value of buildings and depreciated at the rate of 2.5 per cent.

(d) Sri Lanka Accounting Standard 17

In disclosing Lease liability in the financial statements, fair value of such lease assets or the present value of payable lease payments whichever is lower should be disclosed. However, the lease liability at cost and the interest thereon on sum of digit method had been calculated by the Board and shown the lease liability as Rs.835,144,111.

(ii) The following disclosures had not been made in respect of the leases.

* A reconciliation between the total of future minimum lease payments at the end of the reporting period and their present value.

* The total of future minimum lease payments at the end of the reporting period, and their present value for periods not later than one year, later than one year and not later than five years and later than five years.

(e) Sri Lanka Accounting Standard – 19

The Board had not used the “Projected Unit Credit Method” in respect of making provision for employee gratuity in terms of the standard.

2.2.3 Accounting Deficiencies

The following observations are made.

(a) Travel passes income receivable amounting to Rs.275,432,614 in respect of passes issued in the year under review had not been brought to accounts as receivable income.

(b) The value of 11 buses amounting to Rs.38,728,360 received as government grants to the Board during the year under review had been omitted from accounts.

(c) Depreciation of Rs.756,061 on 3 cabs valued at Rs.4,950,000 which had been purchased in the previous year on credit basis and omitted from accounts had been under stated in the accounts.

(d) In calculating the manufacturing loss in the year under review, the opening raw material stock of Rs.97,592,416, closing raw material stock of Rs.98,981,347 and the value of closing work in progress of Rs.2,545,655 had not been adjusted, the manufacturing loss had been overstated by Rs.3,934,586.

(e) Spare parts valued at Rs.66,971,529 supplied to 6 Regional Workshops by two private companies, on cash payment basis by the Head Office had not been brought to accounts by the Head Office.

(f) Forty nine cheques valued at Rs.3,048,771 received to the Ampara tyre factory from 22 Depots had been dishonoured. Without taking action to eliminate, the value of those cheques from the cash book and showing as receivable from depots or deduct from the income of the Regional Workshops, it had been continuously shown in the Bank Reconciliation Statement.

(g) In the preparation of the cash book relating to the bank account of Head Office, the balance of Rs.20,164,545 as at 31 December 2012 had been overstated by Rs.30,000,000 when it was shown as the opening balance of the year under review.

(h) Bank charges, overdraft interest and cheque book charges directly recovered by the Bank under standing orders amounting to Rs.678,447 and a sum of Rs.8,772,390 directly credited to the bank account had been omitted from the accounts.

(i) As the value of spare parts purchased from 2 companies for depots on the basis of making payments through the Head Office had not been posted to the expenditure account and the creditors accounts of the Head Office a sum of Rs.204,426,310 paid to those companies had been shown in the advance account without being settled. Furthermore, adjustments in respect of 2 cheques valued at Rs.10,000,000 issued to one of these companies but subsequently cancelled had not been made.

(j) As the adjustments had not been made for the expenditure incurred from the daily income of the Badulla and Monaragala depots, a credit balance of Rs.4,038,128 was shown in the undisposed income account of the financial statements.

(k) Provision for audit fees amounting to Rs.3,098,066 payable from the year 2005 to the year 2012 had not been made in the accounts.

2.2.4 Dormant Balances

The following observations are made.

(a) Particulars in respect of debit balances of several unidentified and unreconciled accounts totalling Rs.9,935,375,095 and credit balances totalling Rs.26,054,948,782 brought forward for a long period as a result of lack of proper supervision and weak internal control were not made available for audit. As these balances had been shown under assets and liabilities in the statement of financial position of the year under review, a correct position had not been depicted in the financial statements. Similarly, the credit balance existed as at the end of the previous year had been increased by a sum of Rs.23,784,018 in the current year and a debit balance of Rs.13,548,035 and a credit balance of Rs.5,669,752 had been transferred to this account during the year under review but a formal approval thereon had not been obtained.

(b) According to the approval granted by the Department of Public Enterprises on 30 July 2002 to write off 66 debit balances totalling Rs.3,232,231,164 and 23 credit balances totalling Rs.2,010,924,185 included in the dormant balances, representing immovable assets and liabilities after carrying out a full examination on those assets and liabilities with the awareness and the approval of the Board of Directors, those assets and liabilities had been written off from books in the year 2012. As a full examination had not been carried out thereon, the approval of the Board of Directors had not been obtained and as such they had been taken back to the books again in the year 2013.

2.2.5 Unexplained Differences

The following observations are made.

(a) Eventhough the travel passes income of the year under review amounted to Rs.699,411,540 according to the financial statements, it was Rs.706,074,270 according to registers maintained by the operations Divisions. Reasons for the difference of Rs.6,662,730 had not been explained.

(b) Differences of Rs.22,533,642 and Rs.2,793,817 were observed between the financial statements and the information made available for audit in respect of the receivable and payable amounts on the supply of services to and obtaining the services from the National Transport Medical Institute respectively. Furthermore, reasons for the differences of Rs.27,015,360 and Rs.3,086,283 between the financial statements of the Board and the National Transport Medical Institute respectively had not been explained and the accounts had also not been reconciled since a long period.

(c) According to the financial statements, employees security deposits and Trust Insurance Security Investment accounts totalled Rs.1,346,092. However, the total of the two savings accounts of the Bank relating thereto amounted to Rs.2,769,316 and as such there was a difference of Rs.1,423,224 between those two accounts which had not been explained.

(d) According to the financial statements 909 buses, the cost and the accumulated depreciation of which amounted to Rs.936,662,390 and Rs.935,329,390 respectively had been scrapped during the year under review. But according to the information available in the Technical Division, the number of scrapped busses was 963. Accordingly, reasons for not accounting for 54 scrapped busses, the value of which was not identified or explanations therefor were not made available for audit.

(e) Eventhough the stock balances of spare parts and stationery according to the financial statements of 25 Depots and 3 Regional Offices totalled Rs.158,937,921, it was Rs.141,035,554 according to the schedule and the reasons for the difference of Rs.17,902,367 were not made available.

2.2.6 Suspense Accounts

The debit balance of Rs.17,664,474 in a suspense account brought forward for more than 10 years being changed the balance had not been identified and adjusted appropriately.

2.2.7 Lack of evidence for audit

As the evidence indicated against the following transactions was not made available for audit they could not be satisfactorily vouched or accepted in audit.

Item		Value	Evidence not made available
		Rs.	
(a)	Investments	414,766,630	Confirmation of Balances.
(b)	Stock in Regional stores and tyre factories	55,595,432	Stock verification reports, relating to stock.
(c)	Stock of Fuel	53,848,518	Stock verification reports as at the end of the year under review relating to 93 Depots and fuel stores.
(d)	Debtors	165,395,432	Detailed schedules in respect of balances relating to 128 depots and other institutions.
(e)	Other income receivable	236,363,333	Detailed schedules relating to 121 Depots and other institutions.
(f)	Creditors	16,017,906,552	Schedules and age analysis.
(g)	Employees security deposits	1,346,092	Employees security deposit register.
(i)	Bank balance and Bank overdraft	193,698,325	Bank reconciliation statements of 89 bank accounts.
(j)	SLTB Provident Fund	1,860,824,837	Particulars of gratuity payments granted from the provident Fund.

2.3 Accounts Receivable and Payable

The following observations are made.

(a) Conductors and cashiers cash shortages amounted to Rs.14,896,436 and Rs.36,646,763 respectively. As compared with the previous year, conductors' cash shortages had decreased by Rs.2,282,363 whereas the cashiers' cash shortages had increased by Rs.4,793,161. A proper course of action had not been taken to recover such money from officers responsible.

(b) Action had not been taken to pay the money or to issue fresh cheques in respect of cheques valued at Rs.7,279,940 issued by the Head Office and Depots and cancelled subsequently.

(c) The balance of Trade and Other debtors due from 128 Depots and Regional Offices as at the end of the year totalled Rs.166,428,634. Fifty per cent of them had been older than 1 to 8 years but the Board had not verified the recoverability of these debts and no provision had been made in respect of doubtful debts.

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

The following instances non-compliances were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) Sections 11 of the Finance Act No.38 of 1971 and Paragraph 8.2.2 of Public Enterprises Circular No.PED/12 of 02 June 2003.	Although sums of Rs.413,070,433, Rs.7,749,998 and Rs.350,103 had been invested in fixed Deposits, Treasury Bills and Other Deposits respectively, the concurrence of the Minister of Finance and the approval of the Minister in charge of the subject had not been obtained.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 396(d)	Seventy eight cheques valued at Rs.3,893,916 relating to 13 bank accounts issued but remained un presented to the Bank for more than 06 months from the date of issue had not been taken in to revenue and made relevant adjustments in the accounts.
(c) Paragraph 5.4.4 (iii) of the Procurement Guidelines	The advance of Rs.5,250,915 granted to the contracts for the renovation of phase 1 and 11 of the Kataragama rest room in April 2012 had been 56 per cent of the total contract value and only a sum of Rs.500,000 had recovered from that advance.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results for the year ended 31 December 2013 had been a deficit of Rs.1,974,484,387 as compared with the deficit of Rs.2,458,341,252 in the preceding year. Accordingly, the deficit for the year under review had decreased by Rs.483,856,865 as compared with that of the preceding year. Though the operating expenses of the Board had increased by Rs.2,089,398,436, increase in passenger transport income and other income by Rs.2,621,150,907 had mainly attributed to the decrease in the above deterioration.

In analysing the financial results for the year under review and the four preceding years the deficit of the Board had gradually increased from the year 2009 to 2012 and the deficit for the year 2013 had decreased as compared with the year 2012. In considering employees remuneration and depreciation on non-current assets the contribution of the Board in the year 2010 had improved as compared with the year 2009. The contribution of Rs.9,745,324,000 in the year 2011 had continuously increased up to Rs.12,709,377,742 in the year 2013.

3.2 Legal cases initiated against the Board or by the Board

The following observations are made.

(a) The external parties had filed 160 cases against the Board and a sum of Rs.136,819,456 had been claimed as compensations for 64 cases.

(b) The Board had filed 19 cases against the 19 external parties in respect of accidents caused to buses and the compensation of Rs.5,658,435 had been claimed in respect of 10 cases therefrom.

4. Operating Review

4.1 Performance

Operation of a secured trusted and confortable passenger transport service to the General Public under a reasonable fare system by a staff dedicated to the service and by maximum utilisation of resources, of the Board in economically balancing is the mission of the Board. The following observations are made in respect of fulfilling this mission.

(a) According to the annual action plan, it was targeted to increase the overall buses belonged to the Board up to 7,926 and to operate about 6000 daily average buses. Nevertheless, the number of buses belonged to the Board by the end of the year under review was 7,607 and only 4,720 buses thereof had been in running condition. Of that the number of daily average buses operated was 4,373 and as such only 73 per cent of the daily time table requirement of 6000 buses had been operated.

(b) Although it was planned to run 603,004,472 Km. during the year under review by using the buses in running condition, only 343,691,735 Km had been run due to drivers and conductors vacancies and technical issues.

(c) Although the income earned from passenger transport during the year under review had been Rs.62.31 per kg, the related operating expenditure had been Rs.76.29 per kg thus incurring an operating loss of Rs.13.98 per kg. As a result, the cost incurred for running buses could not be covered from the income earned from running buses.

(d) According to the information received from 7 depots belonging to the Kandy Region their performance was as follows.

(i) Four Depots had received contribution over variable cost and it ranged from Rs.11.23 to Rs.16.25 per kg. However, only one depot had shown a profit after adjusting the fixed cost, representing Rs.1.64 per kg.

(ii) In order to fulfil the time table requirement in 7 Depots belonging to a Region 586 buses were required but only 426 buses in running condition were available, out of which 155 busses had been older than 10 years.

(iii) Although it was planned to operate 562 buses in 294 roads relating to 6 Depots, only the average of 370 buses had been operated. Those depots had informed that the buses were not operated in view of the reasons such as non-availability of buses, dearth of drivers and conductors, non-availability of small size buses required for mountainous roads and the dilapidation of mountainous roads etc. As a result of such reasons, 4 depots had abandoned for running buses in 49 roads.

(iv) Out of 426 buses in 7 depots belonging to a Region in running condition, emission reports and revenue licences had been obtained only for 66 and 71 buses respectively.

(e) Although it was planned to purchase 200 bases on lease basis and 250 buses with 54 seats on government grants during the year 2013, only 16 buses had been purchased on lease basis.

(f) Two main Drivers Training Schools and 2 branches attached thereto relating to the year under review belonging to the Board had continuously sustained losses and the overall loss by the end of the year under review amounted to Rs.15,165,507 thus representing 97 per cent of the total training income.

(g) Eventhough it was planned to train 553 and 507 persons on heavy vehicles and light vehicles, respectively by Pothuhera, Moratuwa, Nugegoda Drivers Training Schools, only 470 persons and 332 persons could be able to train respectively, during the year under review. Non-availability of sufficient number of buses and the dearth of instructors had been the reason therefor.

(i) In order to cover up the fixed cost of the Regional Workshops maintained for the repair of buses belonging to the Board, a price, determined in terms of each job is recovered from the depots. As workshops had failed to achieve the targets set to cover up the annual fixed cost, a loss of Rs.162,690,214 had been written off against the income of the year under review.

4.2 Utilisation of Funds

The following observations are made.

(a) The Accounts Division at Head Office had operated 21 current accounts in the various bank branches with several objectives. Nevertheless, those bank accounts had been operated by exchanging cash between each bank account by incurring expenditure on some other objectives without being spent for the intended objectives.

(b) A separate current account had been opened with the intention of making payments of instalments for buses purchased on lease basis without delay and to prevent for the utilisation of lease instalments money received from the depots for someother purposes. Nevertheless, contrary to that objective, a sum of Rs.139,180,532 in this account had been transferred to another accounts for someother financial requirements of the Board during the year under review. Eventhough the Board had stated that this was a temporary cash transfer due to financial difficulties existed in the Board, cash so transferred had not been retransferred to that account and as cash had not been collected from the depots precisely, 16 lease payments totalling Rs.44,030,000 had been in arears. As such, the objective of opening of this account could not be achieved.

(c) A sum of Rs.19,400,000 had been taken from the employees security deposit investment account during the year under review for various payments of the Board and a part of that money had been transferred again to that account. The unsettled amount so obtained from the security deposit investment account at various instances by the Board was Rs.76,388,217.

(d) As the management had failed to improve the funds of the Board a overdraft interest of Rs.133,943,803 had to be paid in respect of overdraft facilities obtained during the year under review. When it was compared with that of the previous year, it was an increase of 20 per cent.

(e) A current account had been opened in Union Place Branch of the Peoples's Bank in the name of Sri Lanka Transport Board for making payments for the purchase of spare parts for buses from an Indian Company on duty concession basis and it had been handed over to the Sri Lankan Agent Company. This bank account had been operated that Agency without the sanction of the Accounts Division. The prime documents in this respect were not available in the Accounts Division and such transaction whatsoever had not been included in the accounts of the Board.

4.3 Management Activities

The following observations are made.

(a) Eventhough money received under the government grants for the reconstruction of buses to be utilised for running after being repaired the buses not in running condition, in view of the financial difficulties of the Board, a sum of Rs.187,807,877 had been spent out of the grant of Rs.433,994,700 received for this project for expenditure not related to the reconstruction of buses.

(b) Periods between 2 to 5 months had been taken to settle advances totalling Rs.90,084,281 granted in 60 instances from 2 bank accounts and action had not been taken to find reasons therefor and to take necessary action after being verified the reasons.

(c) All security deposits recoverable from employees should be deposited separately in savings accounts in the name of the chairman on behalf of each employee and it should be refunded with the interest thereon to the respective employee when he leaves the Board. Nevertheless, the security deposits kept by the employees in the Board amounting to Rs.77,341,309 had been deposited in a general deposit account and the interest thereon had been taken by the Board.

(d) Documents pertaining to the land and buildings valued at Rs.319,799,319 belonged to the Board to establish the ownership thereof were not made available for audit. Eventhough it was stated in the Audit and Management Committee meetings and the replies to audit queries that action would be taken to conduct a physical verification of assets and to update the assets registers action had not been taken even by the end of the year 2016 in that connection.

(e) Any action whatsoever had not been taken in respect of stock shoratages and excesses valued at Rs.3,785,755 and Rs.4,765,050 observed at the stock verification.

(f) As only one vehicle each was available in the Nugegoda and Moratuwa Drivers Training schools for Light vehicle training, the demand requested for trainings could not be met and as such trainings on the dates of holding practical training for trainees had completely hampered. Hence, more time had to be spent to ten-hour steering training period to be given to a trainee and as a result, increase the number of trainees had been hindered. No action had been taken to control such a situation by the Management.

4.4 Operating Activities

The following observations are made.

(a) Loan instalments of Rs.80,562,905 recovered from loans granted to employees from the employees find fund for employees benefits had been retained in the Board without being credited to that find fund.

(b) Adjustments in respect of a sum of Rs.251,115,777 recovered from the salaries of members of the Board’s. Provident Fund on loans obtained by keeping their Provident Fund balance as securities had not been made.

4.5 Identified Losses

Sums of Rs.650,368,619 and Rs.4,550,070,053 to be credited to the Provident Fund in the Board and the Employees Provident Fund in the Central Bank of Sri Lanka respectively and the contribution of Rs.59,045,730 to the Employees Trust Fund had not been remitted to the respective funds on due dates. As such, a sum of Rs.69,810,367 to the Employees Provident Fund and Rs.3,561,706 to the Employees Trust Fund had been paid as surcharges during the year under review.

4.6 Resources of the Board given to other government institutions

The following observations are made.

(a) Contrary to the Paragraph 8.3.9 of the Public Enterprises Circular No.PED/12 of 02 June 2003, forty six employees of the Head Office had been released to the Line Ministry and other 2 government institutions and salaries amounting to Rs.11,400,250, Rs.14,106,278 and Rs.15,117,370 had been paid to them in the years 2011, 2012 and 2013 respectively by the Board. The Board had not taken action to get that money reimbursed.

(b) Five vehicles obtain on rent basis by the Board in the year under review had been sent to the Ministry of Transport for its use.

(c) Contrary to the provisions in Chapter XXV of the Establishments Code, a driver of the Board had been released to a party office and a sum of Rs.117,375 had been paid as salaries for the year under review.

4.7 Transactions of Contentious Nature

Hundred and forty three buses costing Rs.97,462,160 had been sent to the “VESCO” for the reconstruction in the year 2002. However, the “VESCO” is not in operational condition by now and as such there is a risk of receiving those buses back to the Board but a sufficient disclosure in that connection had not been made in the accounts.

4.8 Personnel Administration

The following observations are made.

(a) An organisational chart for the Board, a scheme of recruitment and a promotion scheme and an approved cadre in accordance with paragraph 9 of the Public Enterprises Circular No.PED/12 of 02 June 2003 had not been prepared and get it approved by the Department of Management services.

(b) Out of the 21 Main Drivers Training Schools and at depot level training schools, 13 retired driving instructors had been recruited to 9 drivers schools on assignment basis by August 2016 and the drivers schools had been registered by using their driving instructor licence. Had those instructors decided to leave the service being aged, there would be a risk of operating drivers schools. As a temporary measure, until the driving instructors are recruited, the Commissioner of Motor Traffic had informed the Chairman of the Board to train suitable persons from the experienced and capable drivers. Action had not been taken accordingly.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of Paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, financial statements for the year under review and the draft annual report should have been submitted to audit within 60 days of the closure of the year of accounts. However, the financial statements had been presented on 29 August 2016, after delay of 2 years and 7 months.

5.2 Corporate Plan

In terms of Paragraph 5.1.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, a corporate plan for the years 2013 to 2017 should be prepared and copy thereof should be sent to the Auditor General, 15 days before the commencement of the year. Nevertheless, a corporate plan for that period had not been presented.

5.3 Action Plan

In terms of Paragraph 5.1.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003 an action plan should be prepared to be able to achieve the objectives and targets within the planned period by clearly identifying Management's responsibility. Nevertheless, the action plan had been prepared without considering the financial position of the Board and having being included objectives and targets which could not be achieved.

5.4 Procurement Plan

In terms of Paragraph 4.2.1 (a) of the Procurement Guidelines dated 01 March 2006 the Board had not prepared a procurement plan.

5.5 Budgetary Control

In comprising the budgeted and actual income and expenditure, variations ranging from 15 per cent to 2,592 per cent were observed and as such the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Weaknesses in Systems and Control observed during the course had been brought to the attention of the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control.

Systems and Control		**Observations**	
(a)	Fixed Assets Control	(i)	Non-maintenance of a register including the details of buses.
		(ii)	Not assigning the custody of assets in a protective manner.
		(iii)	Weaknesses in internal control in purchasing and accounting of assets.
(b)	Stock Control		Not taking action in respect of shortages revealed at the stock verification.
(c)	Accounts receivable and Payable		Not taking action to recover receivables and to pay payables.
(d)	Settlement of advances		Not taking action to settle advances after the completion of the relevant purpose.
(e)	Employees Security Deposits		Non-maintenance of registers for employees security deposits and utilisation of employees security deposit money for Board’s expenses.
(f)	Bank Accounts		Operation of bank accounts by the Finance Division without requirement.
(g)	Travel Passes Income		Non-use of printed invoices with serial numbers for the collection of travel passes income