

Sri Lanka Transport Board - 2018

The audit of operations of the Sri Lanka Transport Board for the year ended 31 December 2018 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 provisions of the National Audit Act, No. 19 of 2018 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements

As per Section 16(1) of the National Audit Act, No. 19 of 2018, every auditee entity shall maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements in respect of such entity. As per Section 16(2) of the said Act, every auditee entity shall submit the annual financial statements in respect of every other auditee entity by the Chief Accounting Officer to the Auditor General along with the annual performance reports, within such period as may be provided by rules. As per Section 38(1) of the said Act, it shall be ensured the timely preparation and submission of annual and other financial statements and in addition, the Chief Accounting Officer shall be required to submit annual reports to Parliament pertaining to the auditee entity.

2. Financial Statements

2.1 Non-presentation of Financial Statements for Audit

In terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and Section 6.5.1 of the Public Enterprises Circular No. PED/27 of 27 January 2005, the annual financial statements and the Draft Annual Report of Statutory Boards should be presented to the Auditor General within 60 days after the close of the year of accounts. However, the financial statements of the year 2018 had not been presented to Audit even by the date of this report.

2.2 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules/Provisions	Particulars
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(a) Sri Lanka Transport Board Act, No.27 of 2005 Sections 19(1) and (2)	When borrowing a loan for purposes of the Board, concurrence of the relevant Minister should be obtained in consultation with the Minister of Finance. However, the Board had not obtained such an approval for the bank loan amounting to Rs.150,000,000 obtained on 24 December 2018 for the payment of lease installments of buses.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- (i) Financial Regulation 757 Reports on Board of Survey for the year 2018 had not been submitted to the Auditor General even by 01 November 2019.
- (ii) Financial Regulation 381 Even though application to open official bank accounts should be made to the Treasury, 18 bank current accounts had been operated by the Board even by 31 December of the year under review without obtaining the approval of the Treasury.
- (c) Public Enterprises Circular No.PED 12 dated 02 June 2003
Section 8.3.9
- (i) Public enterprises are not permitted to incur expenditure or deploy its resources including human resources under any circumstances, on behalf of the line Ministry or any other Government institutions. However, 02 motor vehicles owned by the Board had been provided to the Sri Lanka Jathika Sevaka Samithiya and Jathika Sevaka Sangamaya with 160 litres of diesel per month.
- (ii) Moreover, 08 drivers had been released to the Ministry of Transport and the Deputy Minister's Office on salary reimbursement basis.

2.3 Preparation of the Corporate Plan

Attention had not been drawn in the preparation of the Corporate Plan regarding the performance of following functions activities that could have been implemented in accordance with the powers vested in the Board in terms of Sri Lanka Transport Board Act, No. 27 of 2005.

- i. providing shelters or stations for passengers transported by the Board
- ii. providing bus services along routes considered by the Board to be impracticable or difficult
- iii. providing and maintaining places at which buses of the Board may be halted

2.4 Management Inefficiencies

- (I) The spare parts valued at Rs.6,649,020 supplied to the stores of the Head Office of the Board had been rejected after inspection of spare parts by the Investigation Team of the Board due to non-compliance with relevant specifications. However, those spare parts had been retained in the stores even by the month of June 2019 over a period of 02 years without being returned to relevant institutions. Further, those spare parts had decayed and as a result, space in the stores had been confined.
- (II) Thirteen units of spare parts valued at Rs.5,830,500 of the spare parts purchased from a private company which was approved by the Department Procurement Committee, had been returned to the relevant company on 26 October 2018 due to non-compliance with relevant specifications. As such, the Board had taken action to purchase the spare parts with same values from the supplier himself who was rejected due to non-compliance with specifications without taking action to cancel the order placed for rejected goods.
- (III) One hundred and fourteen depots owned by the Board, 12 Regional Offices, 19 Driving Training Schools and 12 Regional Workshops are operated island wide and those are maintained on lands acquired or obtained on lease basis by the Board. However, it was observed in audit that the extent, values and ownership of lands owned by the Board cannot be confirmed even by the date of audit of the year under review.
- (IV) The number of audit queries unanswered by the Board during a period from one month to two years by 30 November 2019, stood at 35.

2.5 Operating Inefficiencies

- (I) Even though 7,302 buses were owned by the Board in the year 2017, only 6,942 buses were owned by the Board in the year 2018. It was a decrease by 5 per cent. The number of buses that can be operated per day, owned by the Board stood at 5,575 in the year 2018 and out of that, only 5,151 buses are operated per day. Even though the average number of buses to be operated according to time tables stood at 6,465 in the year 2018, only 5,575 buses had been in operation. Accordingly, 20 per cent out of the number of buses owned by the Board, is not in running condition and it was observed that about 7 per cent of the number of buses operated per day, is not in running condition due to dearth of drivers and conductors and mechanical defects of buses.
- (II) According to the Action Plan of the year, the Board had targeted to repair and get into operating condition, the buses which should be totally repaired and the buses which are being removed from operating due to minor repairs occurred daily. Even though the total fleet of buses existed as at 31 December 2018, stood at 6,942, a number of 890 buses or 13 per cent were not in operation due to various reasons.

2.6 Idle or Underutilized Property, Plant and Equipment

- (i) It was observed at the audit test check carried out on 24 August 2018 that the unusable bus spare parts valued at Rs.1,851,227 had remained idle in the Gampaha Regional Stores since the year 2005. Failure in making procurements in compliance with the requirement had been the reason for the above situation.
- (ii) A Vertral Borfin Milling Machine and a Cylinder Line Boring Machine purchased at a cost of Rs.5,689,717 and Rs. 3,136,285 on 12 January 2018 and 16 August 2018 respectively had remained idle in the Kurunegala Regional Workshop from the date of purchase up to 10 September 2019, the date of Audit due to lack of tools and measurement errors in boring engines.
- (iii) It was observed that 27 unusable items of spare parts valued at Rs.117,978 had remained in the stores of the Central Bus Stand since the year 2011. Even though those items can be used for TATA Buses, those had been retained in the stores without taking action to provide to depots.

2.7 Uneconomic Transactions

The following matters were observed regarding the takeover of relevant sets of tools by the Board from the Vehicular Emission Test Trust Fund of the Department of Motor Traffic on 26 April 2018 for the construction of 09 vehicle emission testing centres in 09 provinces.

- (i) Constructions of these centres had been commenced without carrying out any feasibility studies, analysis of cost benefits or any study whatsoever thereon.
- (ii) Even though the constructions of centres in Kurunegala and Medawachchiya out of the said emission testing centres had been completed and opened, those had been closed down due to a legal problem. Accordingly, it was observed that the performance targeted thereby had not been reached by the Board and those machinery valued at Rs.18.75 million had remained idle. Further, out of the sum of Rs.89.84 million estimated for constructions of civil works so as to use those assets, a sum of Rs.22.48 million had been paid up to 30 September 2019, the date of Audit.
- (iii) Vehicle emission testing machines should be installed and certificates be issued and data on certificates issued should be sent to the Vehicular Emission Test Trust Fund and internet facility is required therefor. As such, the internet facility therefor has been obtained from Sri Lanka Telecom and a sum of Rs.164,280 had been paid therefor even by 31 December 2018. However, the said project had not been completed and returns thereof had not been received to the Board.

2.8 Procurement Management

- (i) The Board had prepared a Master Procurement Plan in terms of Guideline 4.2 of the Procurement Guidelines. Even though procurement activities envisaged at least for a period of 03 years shall be listed in the Master Procurement Plan in terms of Guideline 4.2.1 (b), the Master Procurement Plan submitted had not been so prepared.

- (ii) The agreement entered into with a private company for the purchase of crank shaft with bearings necessary for repairs of buses of the Board had expired on 14 May 2018. As such, the Chairman had given approval for the purchase of spare parts necessary for a period of 02 months under the Shopping Method for Regional Workshops in Yatinuwara and Kurunegala.

Accordingly, 26 crank shafts and bearings valued at Rs.1,196,000 had been purchased at a rate of Rs.46,000 from a private company under the Shopping Method as per the decision of the Procurement Committee without obtaining the recommendation of the Technical Evaluation Committee.

- (iii) According to the Procurement Plan of the Sri Lanka Transport Board for the year 2018, it had been planned to purchase 139 computers and 74 laptops at an estimated cost of Rs.15,290,000. Nevertheless, the Board had procured 800 computers and 47 laptops at a cost of Rs.113,303,750 in the year 2018. Accordingly, expenses amounting to Rs.89,977,500 had been incurred for the purchase of computers exceeding the estimated cost in the year 2018 and it was observed that the Procurement Plan had been prepared without identifying the requirements.

- (iv) Agreements had been entered into for the purchase of 2000 Ticketing machines valued at Rs.75,900,000 on 22 October 2018 by the Board and the following matters were observed therein.

- According to the Procurement Plan of the year 2018, it had been planned to purchase 1,000 Electronic Bus Ticketing Machines by spending a sum of Rs.35 million and the approval therefor had been granted at the meeting of the Board of Directors held on 19 February 2018. However, the Board had taken action to purchase 2,000 Ticketing Machines valued at Rs.75,900,000 during the year 2018 and those machines comprised of 1,000 ticketing machines purchased without the approval. The number of ticketing machines required for depots had not been computed before purchasing the said machines.
- Even though specifications should be prepared in terms of Guideline 5.6 of the Government Procurement Guidelines, it had been mentioned that it should be complied with applications of ticketing machines used at present. As such, quotations had been submitted only by the supplier who had supplied ticketing machines used at present by the Board, and other institutions who had obtained bidding documents, had not taken action to submit quotations. Accordingly, it was observed that the procurement process is non-transparent.
- In terms of Section 7.12, rejection of all bids received can be justified when lack of effective competition is clearly evident. After wide publicity has been given, the bidding process may still be considered valid, if the prices quoted are reasonable in comparison to market values. However, it had been proposed by the Technical Evaluation Committee to purchase 2,000 ticketing machines for Rs.37,950 inclusive of VAT without so evaluating prices, from a private company on compliance with specifications submitted. Accordingly, the Procurement

Committee which gathered on 28 September 2018 had agreed with the decision of the Technical Evaluation Committee.

- In terms of Financial Regulation 237(b), in the payments for stores supplies, articles should have been received. However, contrary to that, a payment of Rs.2,277,000 representing 30 per cent of the value had been paid on 22 November 2018 before receipt of machines, in the purchase of ticketing machines indicating as a condition in the agreement that a payment of 35 per cent should be made before receipt of items.
- According to the Procurement Plan, procurement activities should be commenced on 01 May 2018 and completed by 10 August 2018 and it had been agreed to supply goods within 02 months of entering into agreements on 22 October 2018 relating to the procurement. However, the goods had been received on 12 February 2019 and the procurement activities had been carried out after a delay of 06 months. Even though the period of delay in receipt of goods was 02 months, action had not been taken in terms of Condition 04 of the agreement relating to the delay period.
- Out of 10 depots examined in Audit due to reasons such as failure in display of the keyboard, slowness in issue of tickets, short life of the battery and unavailability of the preparation button of ticket rolls of these machines, all new ticketing machines received in 03 depots, which is 55, had not been made use of.

The Board had entered into an agreement with a private company for a sum of Rs.33,628,840 for purchase of necessary equipment in maintaining camera and GPS systems relating to 125 luxury buses of the Board. The following observations are made in this connection.

- (i) The Manager – Information Communication Technology of the Board has identified the requirement of this project and had given frauds and irregularities committed in luxury buses as the reasons therefor. However, a basic feasibility study and a study on cost benefit analysis and the manner of forecasting results had not been carried out before commencing the project.
- (ii) Supervising Officers or Depot Officers of the Head Office had not been engaged in supervising this camera system and GPS system. Moreover, it was expected to examine matters such as income from the ticket machine, the quantity of fuel in the fuel tank, the number of passengers carried in the relevant route according to the prescribed Time Table. Nevertheless, it was observed during the course of audit that action had not been taken to achieve the expected results.
- (iii) Even though cameras and accessories had been purchased on 25 October 2018 for 125 luxury buses, the number of buses owned by the Board was only 112. Twenty seven camera equipment valued at Rs.7,263,830 had remained idle in stores by 27 April 2019, the date of Audit.

- (iv) The relevant institution which had entered into agreements had not supplied and established servers and examined technical specifications and the entire system and legally assigned the entire system after providing training to the officers of the Board, even by 10 May 2019.
- (v) In the installation of GPS software and accessories for 125 luxury buses, penalty for delays of Rs.3,362,884 recoverable in terms of Section 8 of the relevant procurement agreement had not been recovered from the suppliers.

3. Other Audit Observations

(a) Performance and Review

According to the Action Plan of the year 2018, the following observations are made relating to targets expected to be achieved during the year.

- i. Even though it had been planned to operate 6,300 buses daily, the actual number of buses operated had been only 5,201, which means that 1,099 buses could not be operated daily.
 - ii. Even though it had been planned to maintain an average operation of 1.5 million kilometres daily, the actual distance operated was 1.2 million kilometres.
 - iii. Even though the recorded route income expected to be earned per day stands at Rs.91 million, the income actually earned was Rs.79.19 million, which means an income target of Rs.11.8 million per day could not be achieved.
 - iv. It had been planned to increase 1,000 buses in the Sisu Sariya School Bus Service. However, only 746 buses had been provided for the service. Moreover, it had been targeted to commence 250 rural services. However, not a single service had been commenced in a year.
 - v. Repairs of 960 sets of engines had been planned and provisions of Rs.288 million had been made therefor. However, only 431 sets of engines had been repaired by spending a sum of Rs.172.9 million.
 - vi. Even though provisions of Rs.25.8 million, 28.4 million, Rs.12.3 million, 21.20 million and Rs.24.05 million had been made for the Uva, Nuwara Eliya, Rajarata, East and North regions respectively, for repairs of the sanitation system, rest rooms and garages, no such repairs had been carried out.
 - vii. Even though contracts had been awarded by the Board to a value of Rs.46,163,597 for carpeting the road of 7 depots and a regional workshop, which should have been completed in the year 2018, action had not been taken up to 30 September 2019 to carry out the said task.
- (b) The following deficiencies were observed at the Audit test checks carried out relating to the performance of depots of the Sri Lanka Transport Board.

- **Maharagama Depot**

- I. The bus fleet of the Maharagama Depot was 101 by December 2018 and it was observed that 25 buses out of them representing 25 per cent were not operated due to unavailability of Drivers, Conductors and technical reasons. Moreover, it was observed that 56 buses of the bus fleet representing 55 per cent were buses older than 10 years.
- II. In the examination of buses provided for operating out of the bus fleet of the last week of December in the year 2018 of the Maharagama Depot, it was observed that an average of about 17 buses per day had not operated during the said week due to the unavailability of Drivers and Conductors. Moreover, out of a distance of 7,471,550 kilometres which should be operated during the year 2018, a registered distance of 1,192,272 kilometres was not operated. Further, the attention of the Management had not been drawn to the inconvenience faced by passengers considering transport service as a social responsibility, due to failure in operating of buses on the roads of the area and the impact on economic development.

- **Thalangama Depot**

According to line 06 of “Fuel and Oil Filling Form” and Oil Tank Measuring Stick used in Depot fuel filling stations, large variances were observed in the fuel consumption test and this variance had been ranging from 22 litres to 3,392 litres during the year as at 31 December 2018 at the Thalangama Depot.

- **Kadawatha Depot**

There are two fuel pumps belonging to the Kadawatha Depot as Numbers 1 and 2 and pump No.2 supplied by the Ceylon Petroleum Corporation had been inoperative from 15 May 2018 to 16 November 2018, the date of Audit. It is observed that the said pump is inoperative even at present due to lack of spare parts.

- **Moratuwa Depot**

According to Payment of Gratuity Act, No.12 of 1983, payment of gratuity should be made within a month of an employee’s retirement. However, gratuity of Rs.16,762,882 was payable as at 31 December 2018 for 32 employees who had retired from the year 2004 to January 2018 of the Moratuwa Depot.

- **Awissawella Depot**

- (i) In the examination on the repairs of the Depot in the year 2018, an expenditure of Rs.20,975,596 had been incurred during the year for repairs over Rs.7,500. Moreover, in carrying out repairs, a period over 11 days had lapsed in certain instances and the income deprived of in the year 2018 due to the delay in providing the said buses for operating, was Rs.31,852,916.

(ii) Even though the registered distance of routes in which buses were operated by the Depot was 11,998,401 kilometres, only 6,977,452 kilometres out of that were operated. Accordingly, the Depot had not operated a registered distance of 5,020,949 kilometres.

- **Panadura Depot**

The approval of the Tender Board had been granted for carrying out constructions of the new toilet system of the Panadura Depot by a private company calling for quotations on 05 July 2018 for Rs.939,035. However, the said purpose could not be achieved even up to 22 September 2019, the date of Audit.

(c) Human Resource Development

(i) In terms of Letter No.MT/02/01/02/33 of 17 March 2017 of the Department of Management Services, a staff of 24,886 posts had been approved for the Board. Nevertheless, the actual cadre of the Board as at 31 December 2018 stood at 30,161. As such, the excess cadre stood at 5,275. Action had not been taken to obtain the Treasury approval for the said excess cadre.

(ii) In terms of Section 9.3.1 of Guidelines for Good Governance, a Scheme of Recruitment and Promotion should be approved for every state enterprise. However, the said scheme had not been prepared even up to 30 October 2019, the date of Audit. Accordingly, a total of 30,161 officers/employees had been recruited by 31 December 2018 without an approved service minute or a scheme of recruitment.

(d) Environmental Issues

An accepted and approved methodology should be used for disposal of oil waste in yards of the depot premises and a licence therefor should be obtained from the Central Environmental Authority according to the Gazette Extraordinary No.1533/16 of 25 January 2008 and the National Environmental Act, No.47 of 1980. Nevertheless, only 09 depots out of the 107 depots of the Board had obtained the environmental protection licence. As such, 98 depots had not obtained licences.