

## Sri Lanka Transport Board - 2019

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### 1. Financial statements

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#### 1.1 Disclaimer of Opinion

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The audit of the financial statements of Sri Lanka Transport Board for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement and notes to financial statements for the year then ended including a summary of significant accounting policies, 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 presented in Parliament appear in this report.

I do not express an opinion on the financial statements of the Board due to the significance of the matters described in paragraph 1.5 of this report.

#### 1.2 Basis for Disclaimer of Opinion

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My opinion is disclaimed based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my disclaimed opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Board.

#### 1.4 Scope of the Audit (Auditor's Responsibilities for the Audit of the Financial Statements)

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Board and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations relating to the Preparation of Financial Statements

### 1.5.1 Internal Control over the Preparation of Financial Statements

Audit Observation	Comment of the Management	Recommendation
<p>The financial statements should be presented to the Auditor General within 60 days after the end of the year of accounts in terms of Section 6.5.1 of the Public Finance Circular, No. PED/12 dated 02 June 2003. However, financial statements of the year under review had been presented after a delay of 322 days on 23 February 2021.</p>	<p>Preparation of the final accounts of Sri Lanka Transport Board had been delayed over several years. Having avoided that situation, final accounts up to the year 2020 have been prepared and furnished to the Audit.</p> <p>Nevertheless, preparation of final accounts of the years 2018 and 2019 had been delayed up to certain extent due to introduction of a new accounting software to the financial division in the year 2018. The delay occurred as the deficiencies of the software were corrected whilst training the employees and executing the initial activities.</p>	<p>The final accounts should be presented to the Audit on time in accordance with the Circular.</p>

### 1.5.2 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
<p>a) The value of fixed deposits owned by the Board totaled Rs. 628,678,099 whilst an overdraft facility had also been obtained from the People's Bank by providing fixed deposits worth Rs. 325,100,000 as sureties. However, no disclosures had been made in that connection contrary to Sections 14 (a) and (b) of Sri Lanka Financial Reporting Standard 07 (SLFRS).</p>	<p>A fixed overdraft facility had been obtained with the fixed deposit of Sri Lanka Tea Board given as a surety. It is stated in SLFRS (7) 14 that only the contingent liabilities and liabilities should be disclosed. As the said overdraft does not belong either to a liability or a contingent liability, it is not necessary to disclose.</p>	<p>Action should be taken in terms of Sections (a) and (b) of the Sri Lanka Financial Reporting Standard 07 (SLFRS 07).</p>

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| b) | Action had not been taken to revalue the assets in terms of Standard, 16. As per Section 58 of the Standard, the value of lands and buildings should have been separately identified and brought to accounts, but it had not been done so. | According to the accounting policies followed by the SLTB, assets are maintained as costs. According to Standard, No. 16, assets can be maintained on cost or revaluation basis. As such, it is not necessary to revalue all those assets. | Action should be taken in accordance with Standard, No. 16. |
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### 1.5.3 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
a) The Board had received machinery valued at Rs. 426,390,078 during the period 2019/2020 through the Japan International Cooperation Agency. Of the machinery aforementioned, 90 items valued at Rs. 189,343,036 had been received in the year 2019, but no action had been taken to debit those items to the machinery account and credit to the capital grants account in the year under review. A sum of Rs. 38,663,394 had been paid as Customs fees in order to clear the items. That value had been capitalized, and a sum of Rs. 322,194 had been depreciated contrary to Sri Lankan Accounting Standard, No. 16. As such, depreciation had been overstated by that amount in the accounts.	In order to capitalize a certain asset, registers required to identify the relevant values should be received. Registers necessary to capitalize those machineries had not been provided by the respective divisions during the year 2019. As such, those machineries had not been capitalized during the year under review.	Assets should be capitalized accurately.
b) Trade creditors account relating to filling stations and driving schools indicated a debit balance of Rs. 26,376,043. Accordingly, the	The balance of Rs. 22,776,043 mentioned herein, pertains to the filling stations. That is the value of cheque issued to obtain fuel for weekly use. The	The correct balance should be disclosed in the financial statements.

- creditors' balance had been understated by that amount in the financial statements.
- c) As a credit balance of Rs. 1,828,207 had been shown under advances, the advance account had been understated by that amount.
- d) Retention monies totalling Rs. 15,771,334 had been debited to the work in progress account, and hence, the said account had been overstated by that amount.
- e) The Board had obtained 325 busses under lease agreements in the year under review, and the down payment of Rs. 263,435,339 paid thereon had been shown under payments to be made in the future.
- f) Expenditure incurred on audit fees totalling Rs. 4,089,000 had been brought to the other expenditure account maintained under the classification of operating expenses.
- g) Balances in cash books relating to 06 current accounts shown in the statement of financial position had either been
- value relating to the driving schools, amounted to Rs. 3,600,000.
- The said error has occurred, and the value thereof should be corrected as Rs. 1,691,932 which comprised sums of Rs. 351,207, Rs. 414,795, Rs. 427,469, and Rs. 498,460 relating to the depots in Kalutara region such as, Panadura, Aluthgama, Mathugama, and Horana respectively. Those depots had recovered the advances given to the officers from their salaries.
- That error had occurred during the accounting process.
- It is the norm to set off the down payment against the last installment. As such, had the amount been deducted from the loan installments, the number of installments to be paid would become less. Thus, it is shown in the advance account.
- The said error has occurred.
- An accounting software is used by the SLTB to prepare financial statements. The software is updated as a transaction takes place.
- Salary advances should be brought to the accounts correctly.
- Accuracy should be ensured in accounting process.
- The down payment should be correctly brought to accounts.
- Accuracy should be ensured in the classification of expenses.
- The cash book should be prepared correctly.

understated or overstated; as such, a balance of Rs. 32,663,359 had been understated.

However, in preparing cash books, the relevant data is not recorded in the cash book at the time the transaction takes place (updated after realization of revenue). As such, there exists a difference between the balances in the financial statements and the cash books.

- h) A favorable balance of Rs. 22,385,852 was indicated in the bank reconciliation statement prepared with respect to a bank account as at 31 December 2019. However, that balance was not disclosed in the financial statements, As such, the cash balance was understated by that amount.
- The current account bearing the number, 014-1001-6-0003586, belongs to the filling station in Ratmalana. That account is maintained as a separate entity in the accounting software. The said bank balance exists in that entity.
- Balances of the bank accounts should be correctly shown in the financial statements.
- i) The sum of Rs. 4,054,000,000 comprising Rs. 2,000,000,000 received from the Treasury in the year 2018 and Rs. 2,054,000,000 received in the year under review for vesting the land of the Board in Werahara in Kotalawala Defence University, had been shown under other balances payable without being correctly accounted. The sum received in the year under review had not been shown under investment activities in the cash flow statement.
- This sum had not been included under investment activities in the cash flow statement.
- The cash flow statement should be prepared correctly.

#### 1.5.4 Suspense Account

Item	Amount	Period of Suspense	Comment of the Management	Recommendation
The credit balance of	Rs. 967,187	01 Year	Those were the	Action should be

Rs. 967,187 in the suspense account shown in the financial statements of the year under review, had not been settled by the end of the year of accounts.

balances from the preceding years and taken to settle the balance in the suspense account. comprise credit balances of Rs. 23,312.08 and Rs. 23,312 relating to depots in Maharagama and Avissawella respectively along with a debit balance of Rs. 72,984,142 relating to Mawanella depot. The Batticaloa depot credited a balance of Rs. 545,305 which was relevant to the revenue suspense account, to the suspense account by mistake. Due to an accounting error, the Monaragala depot had credited a sum of Rs. 60,000 to the suspense account.

#### 1.5.5 Going Concern of the Board

----- Audit Observation -----	Comment of the Management -----	Recommendation -----
As per the financial statements, the Board had continuously sustained losses before adjusting the Treasury grants. The going concern of the Board would become questionable had Government grants been ceased.	Not commented.	Disclosures relating to going concern of the Board should be made.

## 1.5.6 Lack of Evidence for Audit

Item	Amount	Audit Evidence not Furnished	Comment of the Management	Recommendation
	Rs.			
a) Dormant debit balances shown in the statement of financial position.	1,290,782,781	The Audit received none of the evidence.	The said error has occurred.	Action should be taken to provide documentary evidence required by the audit.
b) Dormant credit balances shown in the statement of financial position.	18,526,264,783	The Audit received none of the evidence.	The said error has occurred.	Action should be taken to provide documentary evidence required by the audit.

## 1.6 Accounts Receivable and Payable

## 1.6.1 Funds Receivable

Audit Observation	Comment of the Management	Recommendation
A sum of Rs. 1,082,800 remained receivable from conductors by the end of the year under review. A sum of Rs. 825,008 therefrom remained due over a period of 10 years.	The said value of Rs. 825,008 continued to exist from the preceding years. Action has been taken to recover the balances possible whilst further measures will be taken on the other balances.	Action should be taken to recover the dues.

## 1.6.2 Funds Payable



Audit Observation -----	Comment of the Management -----	Recommendation -----
a) Action had not been taken either to settle or write off the creditors' balances totalling Rs. 673,709,857 continued to exist over a period of 10 years.	The said value of Rs. 673,709,857 continued to exist from the preceding years. All the regional depots have been informed to ascertain whether those balances actually remain payable or not, and a report be furnished in case of payments to be made or accounting errors if any. Accordingly, adjustments will be made in due course. Thus correcting the said value.	Creditors' balances should be settled properly.
b) Due to failure in paying contributions to the Employees' Provident Fund and Employees' Trust Fund on time, a payable balance of Rs. 9,099,049 existed as at 31 December of the year under review.	Only the unclaimed benefits from the contributions of the members unidentified so far who had been entitled to the benefits of the Employees' Provident Fund, remain payable at present. Payments are being made to them in the order of requests made by them for benefits. Furthermore, the outstanding values relating to the contributions to the Employees' Provident Fund and Employees' Trust Fund, had resulted in due to an accounting error.	Contributions should be paid on time.

### 1.6.3 Advances

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Audit Observation -----	Comment of the Management -----	Recommendation -----
a) Advances given to the officers should be recovered from the salaries of the ensuing month. However, the sum recoverable as at 31 December 2019 totaled Rs. 283,905,777 in which a sum of Rs. 4,751,012 remained unrecovered	Balances older than 10 years comprised values continued from the preceding years. The balances possible to be recovered will be recovered once the relevant values are identified; otherwise, further action will be taken by obtaining a report on the unrecoverable balances if any.	Salary advances should be recovered properly.

over 10 years.

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| b) | Advances given to the officers for making purchases and other requirements, should be settled by them within a period of 30 days. However, advances totalling Rs. 1,511,740,472 had not been settled over periods ranging from 01 to 10 years. | Replies in this regard have been given in 1.6.3 (a) and (c).  | Advances should be settled on time. |
| c) | Advances of Rs. 1,509,222,479 made on local purchases, other advances, and special advances of the SLTB had not been recovered over a period of 05 years.  | Special advances and other advances had been given on the basis of recovering from the salaries of the officers of the SLTB. As those advances had continued to exist from the preceding years, action will be taken to specifically identify and recover them from the relevant officers. In case of any balance that can not be so recovered, a report will be prepared in view of taking further action. | Advances should be settled on time. |

#### 1.7 Non-compliances with Laws, Rules, Regulations, and Management Decisions

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
a) Circular, No. PED/2018/01 dated 18 September 2018.	The Board should have obtained vehicles on lease. However, it was observed in audit test checks that 20 vehicles belonged to the officers of the Board, and those vehicles had been provided for the Board through the relevant company and used by	Action had been taken to obtain vehicles on lease for the SLTB by the year 2018. Nevertheless, no vehicle was obtained on lease after 2021.12.31 and	The relevant Circular should be followed.

the relevant officers, action is being  
thereby taken to return  
misappropriating funds the vehicles  
of the Board. already  
obtained on  
lease.

- b) Circular, No. 05 of 1979 of the Sri Lanka Transport Board. The employees who had obtained no-pay leave for 07-01, 14-07, or 27-15 days annually were liable for fines amounting to Rs. 1,000, Rs. 2,000, and Rs. 3,000 respectively. However, it was observed that employees regularly obtained no-pay leave as no other disciplinary action had been taken. The Establishments Code had not been followed in that regard as well. Disciplinary action is being taken in accordance with the code of conduct of Sri Lanka Transport Board. I brought my attention on the deficiencies mentioned. The code of conduct should be followed.

- c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

- (i) Financial Regulation 105. According to the decision taken by the Board of Directors on 25 June 2010, the maximum amount that would have been recovered from the relevant party on damages had been limited to Rs. 20,000. As such, an extensive amount receivable to the Board could not be recovered. The said decision had been taken by the Board of Directors of the Sri Lanka Transport Board, and the amount mentioned above has been increased to Rs. 100,000. Financial Regulation 105 should be followed.

- (ii) Financial Regulation 110. The Board had not maintained a register to record losses. The Board had not maintained such a register. However, instructions have been given to maintain a register of losses at all the work places. The Financial Regulation 110 should be followed.
- (iii) Financial Regulation 381. The Treasury should be requested when opening bank accounts on official purposes. However, without obtaining Treasury approval, 18 current accounts had been maintained by the Board as at 31 December of the year under review. Thirteen current accounts had been maintained by the Head Office of the Sri Lanka Transport Board as at 31 December of the year under review. Those current accounts had been opened many years ago, and it was not certain as to whether approval had been obtained in that connection during that time. As such, approval of the Board of Directors has been obtained in order to maintain only the essential ones out of
- The Financial Regulation 381 should be followed.

those accounts.

(iv) Financial Regulation 387.	The Paying Officer should always ensure that the bank balance is adequate to meet all his payments made by cheque, and no official bank account must be overdrawn. However, there existed an overdraft of Rs. 239,443,555 by the end of the year under review, and a sum of Rs. 963,717 had been paid as interest thereon in the year under review.	Oftentimes, this value indicates the overdraft in accordance with the cash book. Only a very limited number of depots had obtained overdrafts as per the bank statements. Overdrafts would not occur as per the cash book henceforth.	The Financial Regulation 387 should be followed.
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## 2. Financial Review

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### 2.1 Financial Results

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The operating result of the year under review was a profit of Rs. 1,889,833,960 as compared to the corresponding profit of Rs. 1,285,969,923 in the preceding year, thus observing an improvement of Rs. 603,864,037 in the financial result. This improvement had mainly been attributed by the increase in administrative expenses by a sum of Rs. Rs. 1,242,405,147.

### 2.2 Analysis on Trends in the Main Items of Revenue and Expenditure

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- Special lease rent income from the Army, income through the sale of fuel, income from the sale of fuel to be disposed that had been included in the revenue of the Sri Lanka Transport Board in the year under review had decreased by 54 per cent, 60 per cent and 64 per cent respectively as against the preceding year.
- Payments to the drivers and conductors for whom overtime payments had not been scheduled, registration and revenue license fees of the busses, and expenses on private security firms incurred by the Sri Lanka Transport Board, had increased by 53 per cent, 200 per cent, and 137 per cent respectively.

### 2.3 Ratio Analysis

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The ratio of current assets was 1:1.66 in the year 2018 as compared to that of the year 2019 being 1:1.31. The net profit ratio of the year 2018 was 3.53 per cent as compared to the net

profit ratio of the year under review being 5.29 per cent. As such, an improvement was observed in the ratio of current assets and net profit ratio of the year under review as compared to the preceding year.

### 3. Operating Review

#### 3.1 Uneconomic Transactions

Audit Observation -----	Comment of the Management -----	Recommendation -----
<p>According to the agreement entered into in the year 2014 to purchase 2,200 busses on 05 year credit basis, payments on those busses should have been made in full within the period of 05 years, but the payments had been made until March 2020. As the loan period had been exceeded and due to failure in regularly paying the installments on quarterly basis, an interest of Rs. 419,237,588 had been paid on the delay. According to the agreement, a sum of US \$ 72,620,000 should have been paid for 2,200 busses, but the Board had sustained a loss of Rs. 1,788 million following the devaluation of exchange rates. Accordingly, the Board had sustained a loss of Rs. 2,207 million due that agreement thus indicating an average loss of Rs. 01 million per bus.</p>	<p>The depots should have credited funds to the Head Office daily in order to settle the installments for those 2200 busses. However, the funds had not been received as the depots had experienced financial difficulties during that period, thus failing to regularly pay the installments. As such, an interest on delay had been paid.</p> <p>Furthermore, the said agreement had been entered into in a manner that payments should be made in US Dollars. Hence, losses amounting to Rs. 1,784 million had to be paid due to devaluation of Rupee.</p>	<p>Payments should be made in accordance with the agreement.</p>

#### 3.2 Management Inefficiencies

Audit Observation -----	Comment of the Management -----	Recommendation -----
<p>A register on lands and files had not been maintained relating to the miscellaneous institutions maintained by the Board such as regional offices, depots, driving schools and regional workshops. Furthermore, titles of all lands were not settled and action had not</p>	<ul style="list-style-type: none"> <li>• An updated register of lands belonging to the Sri Lanka Transport Board has been prepared. Information on lands pertaining to the Board has been brought to files.</li> <li>• Twelve committees have been appointed on land affairs relating to regional offices, and all the</li> </ul>	<p>The documents should be maintained properly.</p>

been taken to assess the value of lands belonging to the Board.

information is collected by those committees thereby preparing files. The Sri Lanka Transport Board has put in place a proper plan through the 12 land committees appointed regionally through a Circular so that activities such as, identification of all the lands belonging to the Sri Lanka Transport Board, settlement of land rights, launching the initial process for preparing deeds of transfer, and maintenance of a register for lands will be carried out.

- The land in extent of 23 acres 01 rood and 16.5 perches where the Ekala workshop of the Sri Lanka Transport Board had been established and the Lakdiva Engineering Company Limited is maintained at present, has been vested completely in the Sri Lanka Transport Board as per Land Acquisition Act. A Grant has been obtained for that land.
- The consolidated Cabinet Memorandum prepared to be presented by the Minister of Transport and the Minister of Lands in view of verifying the rights to the lands and properties vested in the Sri Lanka Transport Board through Gazette Notices when the bus companies had been nationalized in accordance with the Motor Transport Act, No. 48 of 1957, was furnished to the Ministry of Vehicle Regulation, Bus Transport Services and Train Compartments and Motor Car Industry along with the relevant Annexures.

As for the lands the possession of which had been obtained by the Sri Lanka Transport Board from the Land Reform Commission on the basis that those lands would be purchased, action has been taken to obtain deeds of transfer from that Commission. As such, the Sri Lanka Transport Board has already obtained deeds of transfer for the lands where the depots in Mathugama and Hakmana had been established.

### 3.3 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>a) Considering the capacity and previous reports on inspection relating to the regional workshop in Medawachchiya, 60 engines would have been repaired per month. However, it was observed in the year under review that only 15 engines were repaired monthly. That represented 25 per cent of the full capacity and the underutilization was 75 per cent.</p>	<p>Decrease in the capacity for engine repairs and fixing bus chassis was caused by scarcity of employees. Generally, around 20 days would be spent to repair once chassis of a bus.</p>	<p>Maximum capacity should be made use of.</p>
<p>b) It was found in the audit test checks conducted on 23 depots that odometers remained functional only in 167 busses whereas odometers of 846 busses remained non-functional.</p>	<p>(i.) Every bus is equipped with a digital odometer. Such devices can not be made use after being repaired as soon as found non-functional, and hence, new odometers should be installed incurring heavy costs. As such, odometers had not been installed taking into consideration the heavy costs.</p>	<p>Odometers should be made functional.</p>



- (ii.) Despite being pointed out that servicing and change of oil could not be done at the right mileage, the main reason attributable thereto is not the lack of odometers, but the vacancies in the staff and the fact that different types of oils should be used on different models of busses.

### 3.4 Idle or Underutilized Property, Plant and Equipment

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
a) By the end of the year 2020, the Board had withdrawn 1,037 buses from normal use.	<p>The following reasons had caused the fleet of busses existed in the year 2015 to decrease by the year 2020.</p> <p>(i.) Busses being depreciated annually.</p> <p>(ii.) Non-productive busses being condemned and removed from the fleet.</p> <p>(iii.) Due to non-availability in Sri Lanka, original spare parts have to be imported thus consuming time and causing repairs to delay. As such, the number of busses running gradually decreased.</p> <p>(iv.) Using spare parts provided by the agents in place of original ones, causes the engines non-functional. As such, the number of busses decreased.</p> <p>(v.) Due to non-availability of spare parts for the busses</p>	Action should be taken to repair and use the busses withdrawn from normal use, otherwise such busses should be sold.

older than 15 years even in the country of manufacture, such busses are condemned and removed from the fleet.

- (vi.) A small number of busses are removed from the fleet annually due to serious accidents ( as those busses are beyond repairs).

- b) It is estimated that a dag tyre used for busses should run for 15,000 Km and a rebuilt tyre should run for 11,000 Km. However, there were 34 instances in which retread tyres had been removed after an average mileage of 7,402 Km. Accordingly, the standard mileage expected from the dag or rebuilt tyres could not be fulfilled.
- The following matters caused the removal of dag and rebuilt tyres in 34 instances.
- As for the dag and rebuilt tyres, the standard should be ensured.
- (i.) When running on smooth roads, the dag and rebuilt tyres are not unfixed before the scheduled mileage. The said situation often occurs when running on roads with rough surfaces. As for those roads, the bus can not be withdrawn form use considering the welfare of rural people. Hence, it should be stated that this problem has to be dealt with.
- (ii.) It is pointed out that the said problem occurred when running on roads with bends and slopes. Furthermore, had those busses been withdrawn from use, the passengers would be badly affected. The Sri Lanka Transport Board functions with the aim of providing public welfare rather than earning profit.

(iii.) When tyres had to be unfixed by the institutions purchasing remolded tyres before the expected mileage, action was taken to grant provision as informed by such institutions. The provision so given, was provided for the relevant institutions.

- c) It was found in the audit test checks conducted at 02 depots in the Eastern Province that 424 items of unissued bus spare parts purchased 02 years ago at the value of Rs. 3,854,529, had remained unused in the stores. Those were the spare parts received from the workshops of Bandarawela and Werahera to be used for Layland and Izuzu busses, and those busses have been withdrawn from use. As such, the said spare parts remained unissued. Furthermore, the depot has unissued spare parts received from Kalmunai depot, and those spare parts that had been given by the Head Office several years ago, were intended to be used for TATA and Izuzu busses which are no more running. He further informed that some of the TATA busses had been taken away by other depots. The unusable spare parts remaining at the Sri Lanka Transport Board should be sold to external parties.
- d) Without being formally approved, a third party had been provided with 05 acres from the land in extent of 26 acres where the regional workshop of Medawachchiya had been maintained whereas an extent of 20.7 acres in that land remained idle without being utilized. Furthermore, a workshop built on a land in extent of 1.25 acres remained decaying without being made use of. The said regional workshop has become non-functional due to scarcity of employees. Action is being taken by the Secretary to the SLTB on the settlement of rights to the land. Measures will be taken in due course to ensure productive use of that land. The land should be taken over thus ensuring proper use.

- e) Quotations had been called on 03 June 2017 for repairing engines at the regional workshop in Kurunegala, and 09 items of instruments and machinery worth Rs. 12,737,394 had been purchased and given to the regional workshop. It was observed that only the Cylinder Block Head Surface Grinding Machine worth Rs. 3,661,430 was used in repairs whilst the other machinery worth Rs. 9,075,963 remained unused.
- Vacancies for mechanics exist at the new machinery yard. The Head Office of SLTB was informed in that connection, and then a mechanic reported for duty to work on daily basis on 2020.07.22, but he has not reported for duty from 2020.08.06 up to this day. As such, no employees had been provided to fill vacancies despite being informed.
- Under approval of the Deputy General Manager of the SLTB, the orders were handed over to the Supply Division on 2020.12.03. Aluminium sheets of the gauge, 8\*4G18 were obtained from the workshops in Medawachchiya and Udubaddawa in order to prevent the manufacturing process from being crippled. Once the orders were again handed over to the SLTB on 2021.01.05, seventy five Aluminium sheets of the said gauge were brought to the workshop in Kurunegala.
- The Head Office of the SLTB gave approval in December 2020 on the quotations and the copies of ER 49. Due to lack of availability of the items at the institutions the tenders of which had been approved, a delay occurred in obtaining the items in required quantities. Ten sets of Euro Piston Sleeves were again provided for the regional workshop in Kurunegala by 2021.03.08.
- Five substandard crank shafts had been taken by the said institution on 2020.11.25 and 05 crank shafts with standard quality had been returned to us
- Action should be taken to ensure productive utilization of assets.

on the same day.

The required volume of Thinner was not received on 2020.11.18, and having obtained approval of the D/GM/Technical on the quotations, 40 litres of Thinner were purchased on 2021.03.03.

The Civil Engineering Division of the Head Office of SLTB was informed in that connection through letters and telephone conversations on several occasions, but no repair whatsoever has been carried out thus far. Civil estimates were also prepared thereon.

The scrap items should be put in stores. All the wooden shelves used to store scrap pistons and brass consoles at the main stores have decayed beyond use. Hence, implementation of the S-5 concept on productivity has been delayed.

An attempt was made to make the main gate with metal through the Road Development Authority. However, it could not be done so.

The Civil Engineering Division of the Head Office of SLTB was informed in that connection through letters and telephone conversations on several occasions, but no repair whatsoever has been carried out thus far. Civil estimates were also prepared thereon.

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| f) | Vehicle emission testing centres had been constructed without conducting feasibility | Emission testing centers were constructed, but the project was halted halfway as the institutions issuing emission test certificates | The projects should be implemented as scheduled. |
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studies. The Centres in Kurunegala and Medawachchiya had been declared open after construction though, those Centres remained closed due to a legal issue. As such, the machinery worth Rs. 18.75 million installed at those locations remained idle, and The Board had spent a sum of Rs. 22.48 million on civil works by the date of audit, 30 September 2019.

### 3.5 Deficiencies in Contract Administration

Audit Observation	Comment of the Management	Recommendation
<p>a) A construction company had been entrusted with the construction of lavatories at the depots in Kalutara and Mathugama at the value of Rs. 5,698,960, and the Board had incurred an expense of Rs. 1,245,533 on the constructions during the year under review. The constructions had not been completed even by the date of audit on 05 February 2022. Furthermore, estimates for the constructions had been prepared and approved without taking into consideration the approved rates and specifications.</p>	<p>Procurement decisions relating to the construction of lavatories at the depots in Kalutara and Mathugama, had been presented to this institution. Nevertheless, the contractor had abandoned the constructions halfway, and legal action is being taken in that regard through the legal division. It is mentioned under No. 08 of the estimate prepared for construction of concrete roof of the lavatories. With the objective of supplying a constant water supply to the depot premises by placing water tanks on the roof of the lavatories, the concrete roof had been constructed with increased thickness.</p>	<p>The relevant guidelines should be followed in executing the contracts.</p>

- b) According to the agreement entered into by the Board on 20 March 2018 at the value of Rs. 61,014,316 for construction of the filling station in Orugodawatta, the construction works should have been completed by 20 June 2018, but it had not been done so even by 19 August 2020. As the procurements relating to the constructions had been done by deviating from the Procurement Guidelines, the Board had sustained a financial loss of Rs. 2,102,126. Moreover, the Board had lost the possible income that would have been earned through the filling station due to failure of the contractor in completing the project on time. Furthermore, 07 diesel and petrol pumps worth Rs. 12,610,500 had been placed at the site with no security measures taken, and the lids of the fuel tanks had been taken away by the contractor.
- Approval for awarding the contract to construct the filling station in Orugodawatta at the value of Rs. 61,014,316 had been given by the Board of Procurement of Sri Lanka Transport Board at the 4<sup>th</sup> procurement meeting held on 2018/02/26. Approval thereon had been given by the Secretary to the Ministry of Transport and Civil Aviation on 2018.02.14. The procurement was awarded to the Laughs Engineering Company at a value which was higher than that of the Samoda Constructions Private Limited by Rs. 2,102,126. The Laughs Engineering Company was informed regularly on their failure in proceeding with constructions properly. Having received instructions from the legal division of Sri Lanka Transport Board, action was taken to retain the performance security valued at Rs. 3,105,100 on 2020.06.11. Due to this reason lids of the tanks were taken away, and the Sri Lanka Transport Board lodged a complaint at the Police Station of Grand Pass. At present, security officers of Sri Lanka Transport Board provide security throughout 24 hours.
- The Procurement Guidelines should be followed.
- c) Having entered into an agreement valued at Rs. 2,749,740 in the year 2018 to construct a lecture hall at the driving school in Udahamulla, an advance of Rs.824,922 had been paid along with a sum of
- Payments had been made in favour of this bill by deducting a certain amount from the advance paid. Although the second set of bills requested a sum of Rs. 658,217.80 in January 2019, no payments were made thereon.
- The agreements should be followed.

Rs. 108,767. However, the constructions had been halted halfway.

4. Accountability and Good Governance

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4.1 Environmental Issues

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Audit Observation	Comment of the Management	Recommendation
<p>An approved methodology should be followed in the disposal of oily substances generated by the yards in depots. A license should be obtained in that connection from the Central Environmental Authority in terms of the Gazette Extraordinary, No. 16/1533 dated 25 January 2008 and the National Environmental Act, No. 47 of 1980. However, except for 11 of the 107 depots pertaining to the Board, all other depots had not obtained such a license.</p>	<p>Licenses had been obtained for 24 depots under the productivity program implemented at the Board. Requests have been made for licenses for 11 more depots.</p>	<p>Action should be taken in accordance with the Gazette Notification and the National Environmental Act, No. 47 of 1980.</p>