

## **Sri Lanka Transport Board - 2021**

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### **1. Financial statements**

#### **1.1 Disclaimer of Opinion**

The audit of the financial statements of the Sri Lanka Transport Board (“Board”) for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **1.2 Basis for Disclaimer of Opinion**

I do not express an opinion based on the matters described in paragraph 1.5 of this report.

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

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 Audit (Auditor’s Responsibility for the Audit of the Financial Statements)**

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 Accounting Deficiencies

| Audit Observation  | Comments of the Management  | Recommendation  |
|--|---|---|
| (a) Computer software valued at Rs.34,926,971 had been indicated under property plant and equipment as at 31 December 2020 instead of accounting as an intangible asset in terms of Section 72 of Sri Lanka Accounting Standard 38.                                      | Relevant error has occurred.  | In terms of Standard 38, the said assets should be brought to account accurately.   |
| (b) As per the Ledger, the income from Army travel passes as at 31 December 2020, was Rs.147,095,230. However, it had been indicated in the financial statements as Rs.142,858,305, thus observing the increase in the loss of the year under review by the same amount. | Replies have not been made.   | Income from Air Force travel passes should be brought to account accurately.  |
| (c) A Register of Assets on lands and buildings owned by the Board, had not been maintained and 04 items valued at Rs.48,168,750, which were not identified definitely, had been included in the Lands and Buildings Account during the year under review.               | Adequate reports for identifying the values of lands and buildings separately, owned by the Sri Lanka Transport Board, included in the financial statements, were not available with the Board and as such, those items have been included accordingly due to failure in identifying the value of Rs.48,168,750 separately. | Lands and buildings should be identified separately and brought to account accurately.  |
| (d) According to Sri Lanka Accounting Standard 16, the balance relating to lands and buildings of Rs.391,317,296, owned by the Board, had not been identified separately as  | Valuation of lands and buildings is being carried out at present and after the said valuation, action will be taken to include old balances as well in the  | According to Sri Lanka Accounting Standard 16, depreciation relating to the value of buildings, should be indicated accurately. |

- lands and buildings and financial statements disclosed in the financial accurately. statements and particulars on assets relating to the depreciation of buildings as well had not been made available to Audit. As such, the accuracy of the balance of lands and buildings and the value of depreciation of buildings and the existence of assets could not be ascertained in audit.
- (e) Even though a land of the Board, of which the cost was not identified, had been vested in a Government institution for Rs.5,054,000,000, the cost relating thereto, had not been eliminated from lands and buildings and a sum of Rs.4,954,000,000 received from the Treasury by the end of the year under review and the sum of Rs.100,000,000 receivable as at 31 December 2021 had been brought to account as reserves. Replies have not been made. Transactions relating to the transfer of the said land should be brought to account accurately.
- (f) Computers and ticket machines had been over depreciated by Rs.6,470,984 in the year under review, thus observing the increase in the annual loss by the same amount. Relevant error has occurred. Depreciation of computers and ticket machines should be calculated and adjusted properly according to Accounting Standard 16.
- (g) A sum of Rs.36,167,950 had been indicated in the cash flow as cash outflows arisen from the purchase of assets during the year under review and the value of 02 buses amounting to Rs.8,400,000 obtained on credit basis, had been included therein. As such, cash outflows arisen from investing activities had been overstated by the same amount. Lanka Ashok Leyland has purchased 02 buses by spending money on behalf of the Sri Lanka Transport Board and as such, inclusion of the said value in investing activities is accurate. In terms of Accounting Standard 07, actual cash inflows and cash outflows should be indicated in the cash flow statement accurately.

- (h) Balance of the Stock Adjustment Account of Rs.4,192,994 and the balance of the Fuel Stock Surplus / Deficit Account of Rs.8,786,886 indicated under other income of the statement of income for the year under review, had not been adjusted to the cash flow statement. Relevant error has occurred. The balance of the relevant Stock and Fuel Stock Surplus and Deficit Account should be adjusted to the cash flow statement accurately.
- (i) Grants of Rs.2,981,392,313 issued from the Treasury for the purchase of bus engines in the year 2001, were not amortized annually according to lifetime of assets. However, the entire balance had been adjusted to the accumulated loss in the year under review, thus understating the accumulated loss by the same amount and the net assets of the Board with a minus value, had been understated by the same amount. Grants received for the purchase of bus engines should be amortized within a period of 05 years. The said grants had not been amortized within a period of 05 years and the relevant adjustment has been made for the rectification of accounting error or amortization as per the relevant Accounting Standard. Accordingly, adjustments have been made as per LKAS 20 and LKAS 08. Assets purchased by utilizing relevant Treasury grants should be amortized based on lifetime of assets annually.
- (j) Even though expenditure on bank fees of the year under review had been indicated as Rs.6,701,571 in the final accounts, and it included the interest of bank overdraft amounting to Rs.711,616, expenditure on contract wages amounting to Rs.307,664, recoveries of staff loans amounting to Rs.1,630,963 and recoveries of Sinhala New Year Festival Advance loans installments amounting to Rs.11,273. Relevant error has occurred. Even though such an error has occurred, it has not adversely affected the final net profit or loss of the Profit and Loss Account. Bank fees should be accounted accurately.
- (h) Three vehicles costing Rs.7,300,000 owned by the Board and 18 buses costing Rs.76,749,438 owned by 12 Depots had been damaged due to the unrest occurred in the Replies have not been made. Incidents occurred after the date of the balance sheet should be disclosed as per the Accounting Standard.

country on 09 May 2022. However, it had not been disclosed in the financial statements of the year under review according to Sri Lanka Accounting Standard 10.

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|--|-----------------------------|--|
| (i) As per the stock survey reports of the Board, annual physical stock balance of spare parts as at 31 December 2021 was Rs.1,154,815,227 and according to the financial statements presented, the stock was Rs.1,637,384,553, thus overstating the stock value by Rs.122,869,326 in the statement of financial position. | Replies have not been made. | According to the relevant stock survey reports, adjustments should be made and statements of accounts, made available. |
|--|-----------------------------|--|

### 1.5.2 Going Concern of the Board

| Audit Observation   | Comments of the Management  | Recommendation  |
|---|-----------------------------|---|
| Net assets value had been a minus balance of Rs.9,790,092,091 as at 31 December 2021 and as such, it was observed in audit that it would adversely affect the going concern of the Board. | Replies have not been made. | Appropriate measures should be taken to confirm the going concern of the Board. |

### 1.5.3 Lack of Audit Evidence for Audit

| Item                             | Amount (Rs.) | Audit Evidence not made available | Comments of the Management  | Recommendation   |
|----------------------------------|--------------|-----------------------------------|---|--|
| (a) Fixed Deposit Value          | 111,556,382  | Confirmation of balances          | Not replied   | Confirmation of balances should be made available to Audit.                                |
| (b) Property Plant and Equipment | 82,138,137   | Schedule of Assets                | These are the items which were included in the Register of Fixed Assets before the year 2017. | Action should be taken to ascertain the accuracy and to make available necessary evidence. |

However, those have been included in the Register of Fixed Assets as separate items by identifying them accurately.

(c) Dormant Account Debit Balance 1,290,782,781 Detailed Schedule

The said debit balance of Rs.1,290,782,781 included the money receivable to the Sri Lanka Transport Board. As such, relevant report is due to be issued by the Committee appointed to rectify the dormant accounts enquiring into matters thereon and then, rectifications are to be made.

After confirming the accuracy of relevant balances, relevant adjustments should be made to the said balances.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

| Audit Observation   | Comments of the Management | Recommendation  |
|---|----------------------------|---|
| Even though loan balances of Rs.1,745,604 over 10 years and Rs.2,413,953 between 02 and 10 years had been included in the debtors balance of Rs.20,666,494, as at 31 December 2021, provision for doubtful debt relating thereto, had not been made. Moreover, confirmation of balances relating to the said balance had not been made available to | Not replied.               | Provision should be made for balances receivable and necessary documentary evidence should be made available to Audit. Action should be taken to settle balances. |

Audit and as such, accuracy of the relevant balances could not be verified in audit.

### 1.6.2 Payables

| Audit Observation  | Comments of the Management   | Recommendation  |
|--|--|---|
| <p>Creditors balances of Rs.576,577,491 over 10 years, Rs.432,275,302 between 05 and 10 years, Rs.513,266,201 between 02 and 05 years, had been included in the creditors trade balance of Rs.2,833,830,765 as at 31 December 2021, and confirmation of balances relating to the said balances had not been made available to Audit. Further, debit balances of Rs.90,420,175 relating to 10 creditors balances were observed.</p> | <p>These are the balances brought forward from preceding years. Action is being taken to settle the said balances.</p> | <p>Particulars and schedules for balances receivable and payable, should be made available and action should be taken to settle balances.</p> |

### 1.6.3 Advances

| Audit Observation  | Comments of the Management  | Recommendation   |
|--|---|--|
| <p>There was a balance of Rs.1,468,624,856 in the Local Purchase Advance Account as at the end of the year under review and schedules therefor had not been made available and as such, its accuracy could not be confirmed. Moreover, it was revealed that out of the said sum, a balance of Rs.1,467,253,615 was brought forward for a period between 02 and 10 years.</p> | <p>The relevant error has occurred. Action is being taken to make available relevant registers properly and to settle balances in future.</p> | <p>Paying strict attention on providing and settlement of relevant advances, is essential.</p> |

**1.7 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.**

|     | <b>Reference to Laws, Rules, Regulations etc.</b>   | <b>Non-compliance</b>  | <b>Comments of the Management</b>  | <b>Recommendation</b>  |
|-----|---|--|--|--|
| (a) | Environmental Act, No.47 of 1980 and Gazette Extraordinary No.1533/16 dated 28 January 2008 | Even though all depots should obtain a license in respect of vehicle servicing activities, no action had been taken by any depot of the Board to obtain the said license.  | When commencing all depots, Environmental Protection Licence should be obtained in respect of vehicle servicing activities. However, when depots of the Sri Lanka Transport Board are established at present, it is accepted that attention has not been drawn towards the said procedure. | Action should be taken to obtain the Environmental Licences in terms of the Act. |
| (b) | Public Enterprises Circular No. PED 2/2015 and 25 May 2015                                  | The Board had incurred an expenditure of Rs.7,729,446 for mobile phone facilities of officers therein in the year under review. However, it was observed at the audit test checks that even though there are 1,078 connections in the Board during the month of December of the year under review, only information on | Not replied.   | Action should be taken in terms of the relevant circular.                        |

831 connections had been entered in registers. Even though the persons who use 59 connections could not be confirmed, payments for those connections as well had been made.

(c) Financial Regulations of the Government  
I. F.R. 387

Even though the overdraft facility should not be obtained, the Board had obtained the overdraft facility valued at Rs.62,423,460 as at the end of the year under review and overdraft interest of Rs.382,052 too had been paid therefor during the year.

The said value mostly represents the overdraft obtained as per the cash book and only a very limited number of depots had obtained overdraft facility as per the bank statement.

Action should be taken as per the relevant Financial Regulation.

II. F.R. 395 (c)

The Bank Reconciliation Statement for the final month of the year under review relating to 19 bank accounts maintained by 05 Regional Offices, 04 Regional Workshops, 03 Depots, 02 Filling Stations and the Head Office, had not been made available to

Preparation of bank reconciliation statements is carried out by the Sri Lanka Transport Board through the Accounting System since the year 2020 as per F.R. 395 (c). As such, there is a possibility of checking all bank reconciliations

Letters of confirmation of balances as well should be made available along with relevant bank reconciliation statements.

|   |  |  |   |
|---|--|--|---|
|   | Audit.   | prepared relating  |   |
|   | Furthermore,   | to all units by the  |   |
|   | letters of Sri Lanka   | confirmation of Transport Board,   |   |
|   | balances relating through the  | to those accounts Accounting   |   |
|   | and bank accounts System.  | statements of the  |   |
|   | month of   | December, had  |   |
|   | not been made  | available.   |   |
| III. F.R.395 (d)  | In terms of Financial Regulations, a list of uncashed cheques should be furnished. Nevertheless, according to the bank reconciliation statements prepared in December 2021, a list of outstanding cheques valued at Rs.17,577,369, had not been furnished. | Preparation of bank reconciliation statements is carried out by the Sri Lanka Transport Board through the Accounting System since the year 2020. A list of cheques including outstanding cheques and cheques deposited but not cleared, has been included therein. | A list of cheques indicating the relevant value, should be furnished.         |
| IV. F.R. 396  | Action had not been taken in terms of Financial Regulations on outstanding cheques valued at Rs.2,977,706 older than 06 years.   | Action has been taken to deduct the said value by now.   | Action should be taken in terms of Financial Regulations on relevant cheques. |
| (d) Public Enterprises Circular No. PED/12 of 02 June 2003 I. Section 5.1.2 | Even though the Action Plan should be prepared based on  | The Action Plan has been prepared as per Section 5.1.2 of Public   | Action Plan should be prepared in terms of the relevant                       |

goals and targets, Enterprises circular.  
the Board had not Circular No.  
taken action PED/12 of 02  
accordingly. June 2003 and  
considering duties  
assigned as per  
the Sri Lanka  
Transport Board  
Act, No.27 of  
2005.

II. Section 5.2

In the preparation of the Action Plan, budgeted income and expenditure statement, budgeted balance sheet, budgeted cash flow statement and budgeted capital expenditure should be furnished. Nevertheless, action had not been taken accordingly by the Board.

In the preparation of the Action Plan, capital projects and projects relating thereto are mostly taken into consideration and accordingly, estimated values relating to those projects have been indicated in relevant projects.

The Action Plan should be prepared in terms of the relevant Circular.

- (e) Sections 3.1 and 3.2 of Chapter VIII of the Establishments Code
- Expenditure on overtime should be incurred only in exceptional circumstances where no other means of getting the work done are available and payable only for work which has been specifically ordered, falls quite outside the normal work, is urgent and cannot possibly be
- According to delegation of financial powers of the Sri Lanka Transport Board, payment for overtime has been made on approval of the officers who are authorized to grant approval relating to overtime.
- As specified in the Establishments Code, should be deployed on overtime only in exceptional circumstances.

performed within the normal hours. However, the employees of the Board have been paid overtime without limits. It was observed that 708 salaried officers were discharging duties in the Head Office of the Board and it was further observed at the audit test check that a sum of Rs.12,573,754 had been paid as overtime during the year under review to 177 officers of the Board exceeding the monthly salary.

## 1.8 Finance Management

| Audit Observation   | Comments of the Management  | Recommendation   |
|---|---|--|
| (a) The balance of cash and cash equivalent assets account, the balance of the bank cash account and cash in hand were Rs.1,167.5 million, Rs.961.4 million and Rs.158.1 million respectively as at 31 December of the year under review while the overdraft balance of 10 regions had been Rs.62.4 million. Accordingly, it was observed that the financial management of the Board was inefficient. | Replies have not been made.   | Overdrafts should not be maintained when adequate money is available in bank accounts. |
| (b) The fixed deposits of the Vavuniya depot had been withdrawn and a sum of Rs.25,000,000 had been provided  | The Sri Lanka Transport Board does not consider investing income earned in fixed deposits | The Head Office should act in accordance with  |

to the Head Office on credit basis. Even though the Head Office should settle the said loan in 10 equal installments, no payment whatsoever had been made even up to 17 February 2022. An annual interest of Rs.6,754,832 receivable through fixed deposits to the Vavuniya depot had been lost due to providing this money.

as the main objective and proper financial management is carried out for daily needs of the institution and basic matters such as payment of salaries and advances to employees.

## 2. Financial Review

### 2.1 Financial Results

The operations of the year under review resulted in a loss of Rs.3,059,980,180 as compared with the corresponding loss of Rs.2,103,088,145 in the preceding year, thus observing a decline of Rs.956,892,035 in the financial result. The decrease in the income by Rs.3,785,259,102 had mainly attributed to this decline.

### 2.2 Trend Analysis of Major Income and Expenditure Items

Income from tickets and **travel passes** included in the income of the Board had decreased by 19 per cent and 42 per cent respectively in the year under review as compared with the preceding year.

### 2.3 Analysis of Ratios

The current assets ratio of the year under review was 1:1.05 as compared with the corresponding current assets ratio of 1:0.72 of the preceding year.

## 3. Operating Review

### 3.1 Management Inefficiencies

| Audit Observation   | Comments of the Management  | Recommendation   |
|---|---|--|
| (a) The Board had entered into an agreement valued at Rs.61,014,316 with a private company on 20 March 2018 to construct the Orugodawatte filling station. In terms of the agreement, the constructions should have been completed on 20 June 2018. However, constructions had not been | The Tender Division has reported that the file relating to failure in construction of the Orugodawatte filling station as per the Procurement Guidelines has been forwarded to the Special Investigation Division of the Sri Lanka Transport Board. | The relevant agreements on constructions should be prepared and enforced according to a set of prescribed instructions. Measures should be taken as per conditions of the agreement. |

completed even by 16 August 2022 and a sum of Rs.26,765,705 had been paid to the contractor as at 31.12.2021. Moreover, as the contract had been awarded to the highest bidder regardless of the lowest bid contrary to the Procurement Guidelines, a financial loss of Rs.2,102,126 had to be sustained by the Board. Furthermore, the income receivable from operating the filling station had been lost to the Board as constructions were not completed by the contractor as per the agreement. Moreover, it was observed during the audit inspection that 07 diesel and petrol pumps valued at Rs.12,610,500 had been piled up in the said premises in an unprotected manner while the lids of the deposited fuel tanks had been removed and taken away by the contractor. Nevertheless, the Board had failed to take any action whatsoever in this connection even up to now.

- (b) The Board had taken over sets of equipment from the Vehicular Emission Test Trust Fund of the Department of Motor Traffic on 26 April 2018 relating to construction of 09 emission test centres in the 09 provinces and the construction of these
- The Sri Lanka Transport Board admits that plans were made on construction of 09 emission test centres. However, the Kurunegala, Medawachchiya and Ratmalana centres which were in operation, have become inoperative due to the Covid pandemic which prevailed in the recent past.
- In implementing capital projects, feasible studies should be carried out and effective projects should be implemented accordingly.

centres had been carried out without a feasibility study. From among these emission test centres, constructions of the Kurunegala and Medawachchiya centres had been completed. Nevertheless, the relevant centres were closed due to a legal issue. As such, it was observed that machinery valued at Rs.18.75 million remains idle in those centres and a sum of Rs.22.48 million of the estimated sum of Rs.89.84 million had been spent on construction of civil works relating to using this asset and 03 centres where those constructions have been completed, had remained idle even by 30 May 2022.

- (c) An agreement for a value of Rs.33,628,840 had been entered into with a private company for purchase of equipment required for maintaining cameras and GPS devices in 125 luxury buses of the Board. A study had not been carried out on a initial feasibility study, a cost benefit analysis and the manner of projecting results before implementing this project. Liquidated damages of Rs.3,362,884 which should have been recovered according to Section 8 of the relevant procurement agreement, had not been recovered from the suppliers.
- In making payments to the relevant institution, a problematic situation arose regarding recovery of liquidated damages. As such, a paper was submitted to the Board of Directors including all details and according to the said Board Paper, a decision has been given to pay money to the relevant supplier without recovering the loss. Payments have been made as per the said decision.
- Payments should not be made in instances where conditions in agreements with contractors have been breached.

- (d) The Board owns 10,575 ticket machines valued at Rs.226,417,397 and of those 4,250 machines valued at Rs.107,070,821 representing 40 per cent had remained inoperative. However, the Board had failed to repair these machines and to bring them into serviceable condition. Even though 493 of those machines had been submitted for repairs, those works had not been carried out expeditiously and 23 machines valued at Rs.432,305 had been misplaced.
- (e) The number of buses targeted for operating under the Park and Ride Project comprises 25 buses in the Colombo District and 06 buses in the Kandy District. Details on operation and income in this regard had not been made available to Audit. Even though the Board had spent a sum of Rs.939,750 for installing 25 GPS devices in 25 buses belonging to external parties under the Park and Ride Project, these buses have been withdrawn from operation by now. Furthermore, action had not been taken to recover the cameras installed in the buses.
- (f) Regional offices, depots, Driver training schools and regional workshops of the Board are operated
- As above 50 per cent of the machines are older than 05 years, they are prone to frequent failures. The requirement of ticket machines has not been updated due to non-purchase of ticket machines after the year 2019.
- Twenty five buses of the private sector were engaged in this Project and 25 GPS devices were installed in the said buses. The said buses were operated from time to time in the year 2021 during the period of Covid and as such, the income thereof remained at a low level which resulted in receipt of a very low income by the bus owners. As such, the buses of bus owners which were made to operate, were withdrawn from operation. It has been informed by telephone and letters to return the GPS devices which were installed in such buses. It has been further informed that legal action will be taken if not so returned.
- The lands and buildings owned by the Board are being valued at present. Accordingly, the Valuation Department has made
- In the purchase of relevant ticket machines, service and maintenance during the lifetime should be made to carry out in terms of agreements.
- In implementing relevant projects, agreements should be properly entered into and the cost benefit analysis thereof should be studied before implementing.
- A register should be maintained on the lands owned by the Board and those

and they are established in different areas in the island. The Board had not maintained a Register of Lands in an updated manner relating to all lands on which the said institutions are located, belonging to the Board including lands with legal ownership, lands obtained on lease basis and lands obtained by vesting or in any other manner. Identification, settlement of ownership and valuation relating to all lands owned by the Board had not been carried out even by the end of the year under review. Moreover, lands owned by the Board which are in use, had remained overgrown with weeds and in an unprotected manner.

arrangements to submit 14 reports after completing valuation. Moreover, valuation of 157 units has been assigned to the Valuation Department. As the confirmation of ownership of these lands is a complicated matter, it may take a certain period therefor.

lands should be accurately recorded in reports of accounts.

- (g) The daily requirement of buses of the Board was 7,339 by 16 June 2022 and the existing bus fleet is 6,951. Thirty two per cent of these, remain in inoperative condition. Furthermore, 2,742 of 4,718 operative buses were older than 10 years.
- (h) The technical workshop, Driver schools and fuel stations of the Board were continuously running at a loss for over a period of 03 years and necessary action has not been taken to bring them into a profitable position.

The operation of buses has weakened due to hindrances in obtaining spare parts, tyres and batteries and as such, a certain number of buses have withdrawn from operation. The vehicle fleet has not been updated as no buses were purchased for the bus fleet for a considerable period.

The Board should take action to maintain the bus fleet in operative condition properly, considering the requirement as per time tables.

Replies have not been made.

Relevant action should be taken to bring the Driver schools, technical workshops and fuel stations into a profitable position.

### 3.2 Resources released to other Organizations

| <b>Audit Observation</b>   | <b>Comments of the Management</b>   | <b>Recommendation</b>                         |
|--|---|---|
| In terms of Section 8.3.9 of the Public Enterprises Circular No.PED/12 of 02 June 2003, public enterprises are not permitted to deploy their resources on behalf of the line Ministry. However, 11 officers of the Board had discharged duties of the Ministry of Transport and the Board had paid salaries and overtime for them and action had not been taken to reimburse those payments. | Action has been taken to reimburse salaries and overtime paid for 07 persons by the Sri Lanka Transport Board who discharge duties of the Ministry of Transport since October 2021. | Action should be taken in terms of circulars. |

## 4. Accountability and Good Governance

### 4.1 Presentation of Financial Statements

| <b>Audit Observation</b>   | <b>Comments of the Management</b>  | <b>Recommendation</b>  |
|--|--|--|
| In terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements of the year under review should be submitted to Audit within 60 days after the close of the financial year. However, the financial statements had been submitted only on 04 July 2022 with a delay of 127 days. | Reporting to duty of the staff was restricted due to the Covid pandemic which prevailed in the country during the year 2021 and this delay has occurred as a result thereof. | In terms of circulars, the financial statements should be submitted on the due date. |

## 4.2 Annual Action Plan

| <b>Audit Observation</b>  | <b>Comments of the Management</b>   | <b>Recommendation</b>  |
|---|---|--|
| In examining the progress according to the Action Plan of the Board, a sum of Rs.3,506 million had been estimated for adding 600 buses to the bus fleet under the Indian credit facility. Even though the procurement process for these 600 buses had been completed, buses had not been purchased. | A total expenditure of Rs.5,741 million should be incurred for 500 buses under the procurement of purchasing 500 numbers of 32 seater buses under the Indian credit facility. However, arrangements have been made to allocate money through the General Treasury to obtain 200 more buses before end of the year 2022 after taking action previously to purchase 75 buses by utilizing Rs.850 million under the prevailing economic situation. | In terms of the relevant circular, the activities of the Action Plan should be implemented within that year. |