

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 2022 comprising the statement of financial position as at 31 December 2022 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 skepticism 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 related to the preparation of financial statements

1.5.1 Internal Control over the Preparation of Financial Statements

For the instances such as exercise general and specific authority in transaction management, recording transactions and maintaining accounting for assets as required to prepare financial statements in accordance with applicable reporting standards, access to assets only with the general and specific authority of management, accounting for recorded assets comparing with existing assets at reasonable intervals and taking appropriate action against differences if any, the entity is required to maintain a “well-designed” system of internal accounting controls sufficient to obtain reasonable assurance. Audit observations related to maintenance of main accounting records like General Ledger, Journal, Journal Vouchers, Payment Vouchers etc. are included under the following headings.

Audit Observation	Comments of the Management	Recommendation
The Gampaha depot had purchased diesel from 12 bowsers of 13,200 liters and 06 bowsers of 6,600 liters each with a total value of Rs.83,862,900 during the month of August 2022. No invoices or copies thereof were attached to the payment vouchers issued in respect of these purchases, and the details of the payments made to the vouchers were not submitted to the audit.	Due to the constant fluctuation of fuel prices around August 2022, there have been differences between the current fuel stock price and the current fuel price, so there has been confusion regarding these payments.	When preparing payment vouchers, payment vouchers must be prepared and paid in accordance with the provisions of Financial Regulation No. 225.

1.5.2 Non-compliance with Sri Lanka Accounting Standards

Reference to the non-compliance relevant standard	Comments of the management	Recommendation
a) In the year under review, there was an obsolete and unusable stock of Rs.15,639,972 only in relation to the stock of spare parts in the Eastern Region.	It has been identified that such unusable spare parts are available not only in the Eastern Region but also in other regions. Arrangements are being made to dispose of the obsolete stock.	Obsolete stock in every depot should be identified and valued and arrangements should be made to put usable stock accounts or other disposal of stock.
b) According to section 37 of Sri Lanka Accounting Standard No. 16 (LKAS 16) property, plant and equipment accounting standard, the property, plant and equipment of the board should be classified as Rs. 75,842,984 as of December 31, 2022, but	Acknowledge that the relevant error has occurred.	Assets should be categorized and accounted for according to the accounting standard.

unrecognized fixed assets of Rs.75,842,984 were shown under other assets.

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| c) According to Section 77 of Sri Lanka Accounting Standard 38, computer software should be accounted separately as an intangible asset, but computer software worth of Rs.36,426,972 was accounted under property, plant and equipment. | In cases where LKAS 38 requires the use of some tangible asset to be correlated with the corresponding intangible asset, Computer software is accounted for under LKAS 16 as the relevant intangible asset is allowed to be accounted for in accordance with the accounting standard applicable to LKAS 16 property, plant and equipment. | Computer software should be accounted for according to the correct accounting standard. |
| d) Although according to Sri Lanka Accounting Standard No. 16 (LKAS 16) the depreciable value of an asset should be depreciated systematically over its useful life, the profit of the year under review had decreased by the same amount due to over depreciation of computer machines, bus engines, ticket machines and computer software amounting to Rs.110,968,183 during the year under review. | Acknowledge that the relevant error has occurred. | Depreciation adjustments as per the standard should be made and show the correct profit in the accounts. |
| e) According to Sri Lanka Accounting Standard No. 07 (LKAS - 07) during the preparation of cash flow statements, Rs. 77,033,188 which had been paid in connection with the release of employee shares to be reported under financing activities was shown under investing activities. | Acknowledge that the relevant error has occurred. | when preparation of cash flows should follow the format given in the standard. |
| f) As of 31December 2022, the amount accounted for under work in progress in the statement of financial position was Rs.410,710, but in the cash flow statement, adjustments to working capital amounted to Rs.9,365,056. The working capital balance had increased from the above figure in adjusting the change in working capital in progress which had been accounted for under | Acknowledge that the relevant error has occurred. | The annual expenditure related to the work carried out should be accurately reflected in the cash flow statement. |

non-current assets. Also, the amount of Rs.410,710 spent for the capital work of the year was not accounted under investment activities.

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| <p>g) As on December 31 of the year under review, the revalued values of land and buildings were Rs.18,894,925,500 and Rs.2,292,972,501 respectively, totaling Rs.21,187,898,001. But the revaluation value of Rs.2,300,199,459 which was shown under buildings in the property, plant and equipment note was accounted as an addition in the year under review and the new addition value of Rs.7,226,958 during the year under review was shown under buildings in the property, plant and equipment note.</p> | <p>As all accounting treatments are done through Accpack software, the balance of the ledger account always equals to the balance of the trial balance, which equals the balance of the statement of financial position.</p> | <p>The revaluation value and additions during the year should be recorded separately in the schedule of assets.</p> |
| <p>h) Due to non-updation of bincards of 533 tires valued at Rs.14,969,516 at Hatton Depot and non-orderly storage of tires, it was not possible to physically check the stock balance as on 31 December 2022.</p> | <p>This error occurred due to failure of the storage controller of Hatton depot to update the bin cards and not store the goods in proper order.</p> | <p>Warehouse stock balances should be kept up-to-date and stocks should be stored in an orderly manner.</p> |

1.5.3 Accounting Policies

Audit Observation	Comments by the management	Recommendation
<p>a) The value of the land belonging to Sri Lanka Transport Board's Werahera Central Work Station, where the Sri Lanka Army's Kothalawala Defense University Teaching Hospital and Motor Transport Department was located, was valued at Rs.6,226 million, and the Ministry of Defense agreed to pay Rs.5,054 million for that value. Of that amount, Rs 4,954 million had been paid to SLTB by the Treasury in installments by 31 December 2021. Accordingly, the appraised value of this asset is Rs. 6,226 million and the loss on transfer of assets of Rs.1,172 million was not disclosed in the accounts.</p>	<p>The assessed value of the entire land belonging to Werahera Central Works is Rs.6,226 million. Of this, Rs.5054 million should be paid by the Ministry of Defense, and the amount paid is Rs.4954 million and accept that the remaining 100 million and Rs.1,272 million due for the land should be included in the accounts.</p>	<p>Balances receivable for land value should be accurately identified and accounted for or disclosed.</p>

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| <p>b) An aggregated amount of Rs.16,102,308 In the year 2021, as an amount of Rs.11,832,191 was paid as compensation for 77 of the 297 cases filed in relation to traffic accidents, and an amount of Rs.1,830,747 due to non-appearance of 22 cases related to industrial disputes and due to technical and management errors in assigned cases and as compensation of Rs.2,439,370 for the completed cases related to the dismissal of the employees of the board. But the necessary provision for this was not made in the accounts.</p> | <p>220 road accident cases are admitted and 10 industrial dispute cases have been concluded in the year 2021. It is admitted that as many as 47 cases regarding dismissal are pending, for which compensation is due, and arrangements are being made for expeditious closure or settlement of the proceedings.</p> | <p>A program should be put in place to reduce road accidents and necessary provision should be made in the accounts for reimbursement of compensation.</p> |
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1.5.4 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
<p>a) As on 31 December 2021, the value of Rs.5,054,000,000, which was accounted for as revaluation reserve and the value of Rs.39,713,200, which was recorded as provisions for bad debts, was omitted from the statement of cash flows of Rs.5,014,286,800 as at 31 December 2021, the balance of net cash and cash equivalents had become an overdraft of Rs.2,790,675,691. Accordingly, the balance of cash and cash equivalents on 31 December 2022 was an overdraft of Rs.1,709,451,775. Therefore, it was observed that the value of cash and cash equivalents in the cash flow statement as of December 31, 2022 was overstated by Rs.5,014,286,800.</p>	<p>Although the balances shown in the comparative value of the cash flow statement prepared as at 31 December 2022 were included, the said value was not printed by mistake while printing the cash flow statement.</p>	<p>Care should be taken to avoid such mistakes while preparing the cash flow statement.</p>
<p>b) Although Rs. 1,077,778 more was depreciated in the year 2021 related to the computers purchased before the year 2021, the error was not corrected in the 2022 financial statements.</p>	<p>The relevant error has occurred.</p>	<p>Deficiencies pointed out by the audit should be rectified and accounts should be prepared for the next year.</p>
<p>c) In the year 2021, ticket machines will cost Rs.5,393,206 had been over-depreciated, and to correct the error in</p>	<p>The relevant error has occurred.</p>	<p>The correct depreciation should be entered in the accounts and the</p>

the 2022 financial statements, Rs.52,850 only had been adjusted, and due to non-adjustment for the remaining value of Rs.5,340,356, the accumulated loss was more than that value.

accumulated profit should be correctly disclosed in the accounts.

- d) Savings account balance of Rs.2,311,836,019 which was accounted under cash and cash equivalents in the statement of financial position as on 31st December 2022 compared with the balances of savings accounts at Katubedda, Maharagama, Mattakkuliya and Galle depots less the accumulated balance of Rs.1,236,332 .
- Acknowledge that the relevant error has occurred. The error was corrected in 2023.
- As it is a weakness in the financial control, it should be corrected and accounted for and care should be taken to avoid such deficiencies in the future.
- e) While calculating the revaluation profit of land and buildings, the value of Rs.9,705,106, which was the depreciation value related to the building balance in the year was added to the accumulated depreciation value as of December 31, 2022, and the revaluation profit was not calculated and the audited profit calculated as on 31 December 2022 should have been Rs.20,976,927,250 but the audited profit shown under reserves in the statement of change of equity as on 31 December 2022 was Rs.20,985,508,217. Accordingly, the audited profit had shown more by Rs.8,580,967.
- A value of Rs.20,985,508,217, which is the calculated audited profit, has been included in the change of title statement. That value can be presented as the actual audited profit in the year 2023 after deducting the depreciation.
- Depreciation adjustments should be made correctly and returns should be calculated and accounted for.
- f) According to the daily sales reports of Ratmalana petrol station, as of the last day of the reviewed year, the total net income from fuel sales was shown to be lower by Rs.10,784,454 due to the fact that the diesel sales income was Rs.1,554,296 more and the petrol sales income was Rs.12,338,750 less.
- The difference between the actual sales for the year and the sales shown in the final accounts due to uncashed oil releases, Oil issued to institutions on CPC coupons, oil issued for motorbikes and generators at petrol stations to go to bank at Ratmalana depot and not accounting for the correct value of oil received by institutions receiving oil by depositing checks earlier.
- Revenues should be properly recognized and accounted for at the correct value under a proper internal control system.

- g) According to the daily sales details prepared monthly at the Ratmalana petrol station, the remaining fuel stock at the end of the month compared to the actual fuel stock is due to a shortage of 15,421.96 liters of diesel worth Rs.4,876,320 and 8,349.46 liters of petrol worth Rs.2,647,897, it was observed that the profit of the year under review was under-stated by the same amount in the under-stated of the annual closing stock valued at Rs.7,524,217 in total.
- Although the book value of the balance of the fuel stock should be considered as the initial stock at the beginning of the next day's fuel release, in practice, according to the note of the dipstick, the corresponding volume has been recorded as the initial stock of that day.
- The final stock should be audited and accounted for according to the actual fuel stock available.
- h) Rs.277,733,205 was shown as prior year adjustments in the cash flow statement and this balance was recorded as Rs.335,325,734 in the account notes and consolidated trial balance. Accordingly, it was observed that Rs.57,592,529 was less recorded as previous year adjustments in the cash flow statement.
- The balance recorded as Rs.335,325,205 in the consolidated trial balance has been included in the cash flow statement as Rs.277,733,205 of adjustments related to the previous year and Rs.57,592,000 of the adjustments made under lease value changes.
- Since the deferred tax value is not disclosed separately in the cash flow statement, steps should be taken to avoid such errors.
- i) According to the bank reconciliation prepared on 31 December 2022 in relation to the current account maintained by the Mattakkuliya Depot at the People's Bank, although the cash book showed an overdraft of Rs.20,109,442, it was shown as an overdraft balance of Rs.9,184,280 in the final accounts. As a result balance overdraft has been understated by Rs.10,925,162
- Acknowledge that the relevant error has occurred.
- As errors in bank balances affect the cash balance of the year under review, care should be taken to avoid such errors.

1.5.5 Reconciled Control Accounts or Records

Subject	Amount as per the Financial statements Rs.	Value as per corresponding records Rs.	Deference Rs.	Comments by the Management	Recommendation
As on the last day of the reviewed year, between the balance given in the last account and the balance according to the schedule in relation to machinery, motor vehicles, office equipment, computer machines, buses, ticket machines and other assets, Rs. 2,688,211,342 difference, but no action was taken to correct it.	13,615,181,245	10,926,969,902	2,688,211,342	Accept that the balance of the ledger account is correct from the year 2017 to 31.12.2022 and this error has occurred due to the fact that the relevant fixed asset sub-register is not updated correctly.	Balances in sub-ledgers should be updated and accounted for correctly.

1.5.6 Lack of written evidence for audit

Subject	Amount	Audit evidence not provided	Comments by the management	Recommendation
a) Bank statements, balance confirmation letters and other related documents for confirm the accuracy for the Accounts values such as balance confirmations and detailed sub-documents for non-operating account balances of Rs.1,290,782,782 included in assets, liabilities and bank	11,384,538,382	Balance confirmations, detailed schedules, share certificates, certificates of fixed deposits and investments, balance confirmations, time statements, bank reconciliations and bank statements	Accepted that the details and supporting documents related to the account balances have not been submitted. I will provide necessary information for future audit activities.	Evidence not submitted for audit should be arranged to be submitted for audit with the accounts when submitting the final accounts.

balances with a total value of Rs.11,384,538,382 stated in the financial statements as at 31st December 2022, Share certificates and balance confirmations for share capital valued at Rs.4,156,211,492 and asset type and descriptive sub-documents for fixed assets valued at Rs.156,195,337 and Fixed deposit certificates of fixed deposits and investments worth Rs.753,363,548, detailed sub-documents and balance confirmations of trade creditors worth Rs.4,571,242,599, and also for Balance confirmations and detailed sub-documents for trade debtors and cash in transit worth Rs.89,191,198, time analyzes for prepaid expenses worth Rs.267,951,474 and debits of Rs.7,551,643 related to 23 current accounts belonging to Sabaragamuwa and Eastern Regionals and for balances and credit balances of Rs.92,048,309 have not been produced to the audit.

<p>b) In the statement of financial position of the year under review, under other non-current liabilities, an outstanding account balance was shown as SLTB Employees' Provident Fund, and it was observed that the balance has been existing for more than 06 years. However, no evidence was presented to the audit to prove that such amount of employee provident fund was actually a balance due by the Transport Board to the Employees Provident Fund.</p>	<p>1,860,824,837</p>	<p>Written evidence for verification i.e. descriptive supporting documents and proof of balance</p>	<p>It is observed that this is an error that has occurred in making accounting notes and the necessary activities have been started to correct the errors in the account section of the head office.</p>	<p>Non-operational incorrect account balances should be formally removed from the accounts and arrangements should be made to correct the accounts.</p>
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1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit observation	Comments by the management	Recommendation
<p>In the Police warrant balance of Rs.1,549,623,472 that was shown as other receivable income on 31 December 2022, Rs.44,957,258 exceeded 10 years, a balance of Rs.91,395,964 between 05 and 10 years and a balance of Rs.120,493,842 between 02 and 05 years even if it exists, formal procedures were not taken to recover the balances.</p>	<p>All the Police warrant related to the financial year have not received the amount due and due to this, it has not been possible to maintain the account records of the depot correctly. Also, it has been observed that the amount received from the police headquarters to the head office is not distributed as the amount to be paid in relation to the respective depots, so it has been observed that there are errors in the accounting work.</p>	<p>In the Police warrant balance due, arrangements should be made to recover money balances that are not more than two years old.</p>

1.6.2 Amounts Due

	Audit observation	Comments by the management	Recommendation
a)	As at 31 December 2022 there was an outstanding credit balance of Rs.1,586,068,411 in trade creditor balance and other creditor balance amounting to Rs.1,495,204,034 and Rs.90,864,377 respectively, which had exceeded the period of 02 years.	These balances could not be rectified due to non-provision of relevant confirmation letters by the suppliers. Regarding these balances which have existed for a long time, necessary details are brought from the local level and efforts are being made to correct them in the future.	Those creditor balances that have exceeded the period of two years should be settled and the accounts should be updated.
b)	Due to the inclusion of a debit balance of Rs.21,698,022 held at petrol stations in the trade creditor balance of Rs.3,522,347,457 as of 31 December 2022, the account creditor balance was less than that amount.	This creditor balance erroneously includes a debit balance, which has been corrected in the year 2023.	Creditor balances more than two years should be correctly identified and settled or allocations should be made in the accounts.
c)	In the financial statements of the year under review, the unpaid balance as contributions to the Employees Provident Fund was Rs.256,503,445 and in that balance it was observed that of sum of Rs.37,041,436 over 10 years, a balance of Rs.191,712,461 between 05 and 10 years and a balance of Rs.7,850,445 between 02 and 05 years. However, it was not possible to confirm during the audit whether the unrecognized credit balance is the actual credit balance to be paid based on the data of contributions paid for the Employees' Provident Fund maintained by the Board.	Although the amount of Rs. 256.5 million identified by the audit as an unpaid balance is shown in the accounting records due to accounting errors, according to the records of the Labor Office, SLTB. has made all payments due for the year 2022	The outstanding balances in the employee provident fund balance should be properly identified and the balances due should be paid and the incorrect account balances should be formally removed from the account.
d)	As at 31 December 2022 it was observed that there was a balance of Rs.1,084,753,124 in respect of 13 non-operating accounts shown under trading and other payable expenses in the statement of financial condition.	Being a balance coming from .the past, there is no way to prove them.	Unidentifiable balances should be properly removed from the accounts or provisions should be made for the same.

1.6.3 Advances

Audit Observation	Comments of the management	Recommendation
As on the last date of the year under review, there was a balance of Rs.1,378,085,248 in the Domestic Purchase Advance Account. It was not possible to verify its accuracy due to non-providing supporting documents, and it was revealed that a balance of Rs.1,373,773,207 has existed for a period of 02 to 10 years.	The corresponding error has occurred. The balance of this advance account consists of the advance payments made from the year 2011 to the year 2014. The source documents related to settlement of advances have been checked and the balance of the advance account is being settled.	The relevant balances should be correctly identified and arrangements should be made to remove the inactive balances from the accounts.

1.7 Non-Disclosure of Related Party and Related Party Transactions

Audit observation	Comments by the management	Recommendation
It was observed that there was an officer working in the Sri Lanka Transport Board has given his personal vehicle to the Board through the company that provided reserved vehicle rented to the Board and received an amount of Rs.1,116,331 as a monthly rent of Rs.39,850 each from 22January 2020 to 31 May 2022.	No answers provided.	Actions should be taken to prevent such transactions from happening.

1.8 Non-compliance with laws, rules, regulations and management decisions etc.

Reference to the Laws, Rules and Regulations	Non compliance	Comments by the Management	Recommendation
a) Section 39(2) of the National Audit Act No. 19 of 2018	According to Section 11 of the National Audit Act, after receiving the detailed management audit report issued by the Auditor General to the Chairman of the Board, if there are reasons for not implementing any action or matter given on it, the reasons must be submitted to the Auditor General within 03 months, until June 12, 2023, no reply has been given to the detailed Auditor General's report to be submitted to the Chairman on 31October 2022, including the	No answers provided.	Answers should be given within 03 months of receiving the detailed management audit report.

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| <p>b) 6 (2) (a) of the Payment of Gratuity Act No. 12 of 1983</p> | <p>An employee receiving monthly salary should pay half of the calculated monthly salary as gratuity according to the proportion of his last monthly salary, but for the employees hired before the year 2005, in the payment of gratuity, the total salary earned by him should be multiplied by the number of years in which gratuity was paid and during the year under review, an amount of Rs.319,689,152 was overpaid as gratuity by multiplying the monthly salary earned by the employee on the last day by the number of years of service.</p> | <p>SLTB has issued circulars regarding payment of gratuity as per decisions taken at various times. Accordingly, gratuity payments were made based on the monthly salary for the officers recruited before 18.10.2005 and the procedure for payment of gratuity has been changed as per the clarifications given by the Labor Commissioner in letters dated 07.01.2020 and 09.02.2021 that it is not possible to issue retrospective circulars.</p> | <p>Steps should be taken to recover wrongful payments made in contravention of the provisions of the Act.</p> | |
| <p>c) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p> | <p>i. F.R. 105</p> | <p>Regarding the damaged motor vehicles costing Rs.1,041,195 and the damaged buses and vehicles worth Rs.12,136,724 during the rioting incident that took place on May 09, 2022, money regulation provisions were not followed.</p> | <p>Due to the absence of an initial report or a full report, and without finalize the facts that value of the initial investigation report provided by the security department, the identification of the responsible persons and the nature of the official journey of the relevant vehicles, the full value of the damages that can be obtained by the insurance companies, and the cost</p> | <p>The damage should be properly identified and the responsible party should be charged or compensated.</p> |

estimates for the repair, etc. Proceedings according to Re.105 have been obstructed.

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| ii. F.R. 225 | Vouchers for all payments must be correctly and completely filled in the prescribed forms and submitted for payment. But the payment vouchers to prove the amount of Rs.25,588,202 paid to 14 cheque by Mattakkuliya depot for purchase of spare parts and fuel from 07th to 15th July 2022 were not submitted for audit. | Vouchers are duly included in the relevant file. The Assistant Manager (Finance) has been instructed in writing to submit for audit before 31.05.2023. | Vouchers should be prepared and entered into the relevant system subject to the provisions of the finale Regulations. |
| iii. F.R. 387 | Despite the ban on taking overdrafts from any government bank account, the board had maintained an overdraft of Rs.645,939,849 as on 31 December 2022, for which an amount of Rs.400,171 had been paid as overdraft interest in the year under review. | Vouchers are duly included in the relevant file. The Assistant Manager (Finance) has been instructed in writing to submit for audit before 31.05.2023. | Vouchers should be prepared and entered into the relevant system subject to the provisions of the Finance Regulations. |
| iv. F.R. 395(c) | Although every institution having a bank account is required to prepare bank reconciliation statements at the end of each month in respect of the given transaction status before the 15th day of the following month, bank reconciliation statements related to 07 accounts maintained in 03 regional offices and 03 depots of People's Bank and Bank of Ceylon were not submitted for audit. | From the year 2020 Sri Lanka. Sage Accpack software prepares bank reconciliations for all accounting units in the operation and every bank reconciliation is prepared before the 10th of the following month. | Bank reconciliations as on 31st December should be properly prepared and submitted for audit along with the documents to be submitted with the final accounts. |
| v. F.R. 395(d) | Details of uncashedcheque of 12 depots pertaining to Rs.57,942,422 issued but not offered for payment as per Bank Reconciliation Statements prepared in December 2022 were not submitted to the audit. | Acknowledge that the relevant error has occurred. | Necessary arrangements should be made to credit the relevant cheque value to the income. |

Vi F.R. 396(a) (i) and (iii)	Financial Regulations in respect of 163 Checks paid in Depots and Institutions valued at Rs.5,407,762 had not been properly dealt with.	Acknowledge that the relevant error has occurred.	Checks should be dealt with in accordance with the provisions of the Cash Regulations.
d) Establish ment Code of the Democratic Socialist Republic of Sri Lanka			
i. Section 5.2 and 5.3 of Chapter XXV	The government pays the salary and living allowance of an officer exempted for trade union activities, and if he is a contributor to the Public Service Provident Fund, the union must pay the share of the government contribution to the Public Service Provident Fund. But it was observed that the money is paid by the board and not by the trade unions. Although such an officer is not entitled to any other allowance for his service in addition to salary and allowances, up to December 2022, 28 officers of 07 trade unions had been paid Rs.1,053,100 and Rs.10,661,547 as bonuses and incentives respectively, totaling Rs.11,714,647.	Despite agreeing to the audit observation, the Sri Lanka Transport Board is not a department and is a semi-government institution. Therefore, institutions do not fully implement the provisions of the Code.	Necessary action shall be taken to recover or reimburse the wrongful payment.
ii. 4.2 of Chapter XXV. Section	Contrary to the provisions of the above section, 12 more employees were released for trade union activities on behalf of 05 trade unions of the board and a member of the All Lanka United Motor Workers Union had been paid an amount of Rs.3,190,410 as salary and bonus from the year 2006, and another officer of the same union had also been released, and he had also been paid an amount of Rs.772,938 as salary and bonus.	This system has followed the traditions of the Board during the time when not only two officers but all the 34 who have been released have been released. In order to remove the irregularity of the exemption system, the necessary measures are to be taken in the revision of the Board's governance practices which are currently being prepared.	Necessary arrangements shall be made to recover or reimburse the payments made in contravention to all exempted persons including the said officers.

- iii. Section 6.1 of Chapter XXV Officials who are released for trade union work will be entitled to travel to any place in the island for their trade union work only with free railway passes and free tickets of the Central Transport Board. However, contrary to the provisions of the Code of Establishment, an amount of Rs.4,782,305 was spent as fuel and repair expenses in the year 2022 for 03 vehicles allocated from the board and 03 private vehicles.
- I accept that the expenditure incurred for 03 vehicles for repair work is correct and only 02 vehicles have been given to the union representatives. To provide 115 liters of fuel per month to those representatives and trade union representatives who use private vehicles. I accept that it has been done by the administration.
- Vehicles provided for trade union activities should be taken back and used for duty purposes.
- e) Public Administration Circular No. 09/2009 dated 16 April 2009 To verify the arrival and departure of officers reporting for duty, fingerprint machines shall be used and officers, who report to the office for specific duties such as on-call duty in addition to their duty, shall also have their attendance verified by fingerprint machines. But since the year 2019, fingerprint machines were not used to record the arrival and departure in the head office, regional offices and depots. Due to this, the accuracy of overtime and holiday pay was not satisfied during the audit. It was also observed that an amount of Rs. 369,600 has been spent in the year 2022 for the repair of the fingerprint machines in the main office, but they have not been made operational.
- The electricity systems were totally inactive and an estimate of Rs. 369,600 was presented to repair the wiring system. Even now SLTB Procurement Procedures have been started to buy 250 new machines. And also admit that problems have been arisen regarding the attendance of employees as well as the ability to accurately calculate time for overtime payments.
- Arrivals and departures should be recorded using fingerprint machines and fingerprint machines should be used to verify hours while paying overtime.
- f) Public Enterprise Circular No. PED 1/2015 As per clause 4 of the table included in clause 3.1 of the said circular, any other officer holding a post approved by the said department in the category of HM 1-1 or above as per Management Services Department Circular No. MSD 30 issued in the year 2006 is
- Like to inform you that after obtaining a formal report on the amount of fuel taken by the officials for official travel and the manner in which they traveled, whether the fuel was used for official
- Arrangements should be made to collect the cost related to the excess fuel from the relevant parties.

entitled to use official vehicles as per the present amendment. Although the fuel capacity is 115 liters but in the following depots, the vehicles used by the officials including the depot superintendents had obtained fuel beyond that limit in the year 2022 and the amount spent for it was Rs.2,747,405.

activities, if the fuel was taken for non-official activities, it will be charged.

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| g) | Administrative Circular No. 15/97 dated 29 September 1997 | If employees who are released full-time for trade union activities are released again after a period of 04 years, the recommendation of the honorable minister should be obtained for that, but 13 officers of 06 trade unions who have exceeded the period of 04 years are still released full-time against the law. It was observed that had been done. | Currently, the union governance practices are not 100% in accordance with the Establishment Code and the fact that the 13 union officials have been exempted for more than 04 years for union activities is contrary to the Establishmentcode, but as there is no direct advice about it according to the union practices, they have been exempted. | The informal exemptions should be stopped and the employees who are currently exempted for trade union activities should be assigned to duty. |
| h) | Management Circular No. 30/2006 dated 22 September 2006 | Although it has been prescribed to revise the Salary Management Service Circular No. 2/2016 of the officers from Grade I to Grade VIII serving in the primary, middle and upper management of SLTB with effect from 01.01.2018 , The accuracy of the amount of Rs.1,077,109,440 paid as salaries and allowances could not be confirmed during the audit due to the fact that the salaries of 3,050 officers from grade I to grade VIII had not been revised in the relevant steps until 31 December 2022. | According to the circular, salary schemes have not been approved for the employees and officials in the categories from Grade I to Grade VIII of the SLTB However, according to the circular issued by the Department of Management Services on 28.09.2022, the salaries will be adjusted from March 2023 and a decision will be made so that if there is an overpayment in the payment of salaries, it can be recovered from the concerned officer or if the salaries and allowances have been underpaid, the related arrears of salaries | Saleries should be fixed accurately and according to circular arrangements. |

and allowances can also be paid.

1.9 Cash Management

Audit Observation	Comments by the Management	Recommendation
a) Bank statements for 40 current accounts with a debit balance of Rs.23,348,867 and a debit balance of Rs.165,336,690 in 36 depots owned by the Sri Lanka Transport Board were not submitted to the audit. As a result, the audit could not be satisfied with the accuracy of the bank reconciliation statements prepared in relation to the said current accounts.	Although instructions were given to all depots to provide bank statements along with accounting notes and other documents for the entire financial year, the accountants of these 36 depots did not follow the instructions.	Financial statements and bank reconciliations should be submitted along with account notes while submitting accounts
b) There was a balance of Rs.10,889,598 deposited but not represented and a balance of Rs.11,419,020 issued but not represented for payment in relation to the current account maintained by the GinthotaPettigalawatta Divisional Works at the People's Bank and the balances are from the year 2021, and the values were not identified and corrected.	In the current account number 14515-9-1002-013 maintained by Ginthota, PettigalawattaDivisional Workhouse, the relevant accountant has used the forward date in the ledger while making the accounts using the computer software and to correct the mistake, and need to wait until the relevant date arrives.	Arrangements should be made for receipt of uncleared checks and prompt investigation of undeposited balances.
c) As of 31 December 2022, in the current accounts of the two petrol stations in Ratmalana and Orugudawatta owned by the Sri Lanka Transport Board, there were debit balances of Rs.42,547,041and Rs.5,737,177 respectively but no information related to those accounts for the year 2022 was submitted for audit. Also, since 2018, the Orugudawatta petrol station, which has not been operating since 2018, kept more than Rs. 42 million in a current account without earning any interest income in the current account maintained by the Bank of Ceylon, it was observed that interest income which could have been earned by the Board had been lost.	Acknowledge that the relevant error has occurred.	Care should be taken not to lose the benefits that can be obtained from investments by properly maintaining the cash balance in the current accounts.

1.10 Information Technology (IT) General Controls

Audit Observation	Comments by the Management	Recommendation
<p>250 million rupees had been allocated for the year 2022 to introduce the second end of the technical end i.e. Back End (cash transaction and access and connection system) related to the use of pre-paid cards and the board had prepared the technical specifications according to the SLTB requirement and had not formally invited tenders and selected a supplier for it, and had entered into an agreement for the contract on 29 June 2021 with a supplier selected by the Transport commission. Accordingly, the total contract value was Rs.3,900,000. But it was decided to use Rs. 1,500,000 of that amount to purchase the system and after the one-year warranty period to refer to 03 service contracts of Rs. 800,000 each. But before the completion of the project, a purchase order was issued for the software project amount of Rs.1,500,000 and the said amount was accounted as an allocation in the year 2022. However, it was observed that the acquisition of this software to SLTB was temporarily stopped due to lack of provision for the purchase of electronic ticket machines required for the implementation of this project, and practical problems in the use of cards and technical problems that arose during the project.</p>	<p>250 million rupees was included in the 2022 budget plan for the overall project of National Prepaid Cards, and it is for the purchase of 3,500 new electronic ticket machines, server facilities and communication facilities required for the technical work required for that project. As mentioned here, the backend software system is SLTB has been procured with the approval of the Board of Directors through the supplier selected through the procurement conducted by the National Transport Commission without procurement. The value of the backend system is Rs. 39 lakhs and the initial payment of Rs. 1.5 million has been sent to the institution. The Rs.1.5 million that was agreed upon has not been paid to the relevant institution, Silver Leap.</p>	<p>The project should be planned with a proper feasibility study and accordingly the necessary suppliers should be selected and the project work should be carried out.</p>

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a profit of Rs.484,563,354, while the corresponding loss of the previous year was Rs.3,059,980,180. Accordingly, an increase of Rs.3,544,543,534 was observed in the financial result. This growth was mainly due to the increase in bus fares by around two hundred percent.

2.2 Trend analysis of major income and expenditure subjects

The main income and expenditure subjects of the year under review have been compared and analyzed with the previous year and the percentages of increases and decreases are shown below.

Income/Expenditure	Year (2022) (Rs.Mn.)	Year (2021) (Rs.Mn.)	Percentage of increas (%)
Direct route document revenue	54,957	13,608	304
ther route document revenue	11,393	7,169	59
Bus operating cost	18,060	13,049	38
Fuel and Lubricants	37,344	8,026	365
Other Cost	6,790	2,775	145

2.2.1 In the year under review, it was observed that the passenger revenue has increased by 304 percent. It was observed that the main factor affecting the growth of this income was the increase of bus fares by about two hundred percent. Other income have grown by 59 percent, although they have not increased by much. It was further observed that the main reason for this is the increase in the number of people availing facilities through SLTB on concessional basis during the increase in transport charges.

2.2.2 The cost of bus operations has increased by 38 percent, and it was observed that the main reason for this is the inefficiency of bus operations and uncontrolled overtime and incentive payments.

2.2.3 It was observed that the main reason for the 365 percent increase in the cost of fuel and lubricants was the abnormal increase in the price of fuel and lubricants and the lack of proper internal control of fuel distribution.

2.2.4 Other direct costs have increased by 145 percent, and it was observed that the main reason was the increase in the price of spare parts against the value of the dollar and the purchase of spare parts without formal control.

2.3 Ratio analysis

Below are the details of key ratios corresponding to the data in the SLTB Statements of Accounts for the year under review and the previous year.

Ratio	Year ending 31 December 2022	Year ending 31 December 2021
Net profit ratio	0.73%	(14.7%)
Net profit ratio (Before Grants and Subsidies)	(0.24%)	(20.56%)
Current asset ratio	1.34:1	1.06:1
Current asset ratio	1.03:1	0.77:1

2.3.1 Although there is an increase in the net profit ratio compared to the previous year, it is observed that the reason for its insufficiency is the lack of transparency in transactions and the problem of management accountability. Furthermore, it was observed that taking a positive value of the net profit ratio was wrongly accounting for the amount of 606.31 million rupees received from the treasury for capitalized expenditure under grants and subsidies.

2.3.2 Non-optimal current asset ratio is a barrier to the short-term liquidity of the board and its ability to meet its obligations on time, so the board has not paid attention to it.

3. Operational review

3.1 Un economical Transactions

Audit Observation	Comments of the management	Recommendation
<p>a) The board had received the relevant equipment sets for the construction of 09 Air Emission centers at the provincial level on 26 April 2018 from the Air Emission Trust Fund of the Motor Transport Department, and for that purpose Rs. 22 million had been spent. For the construction of civil works related to these emission centers Rs. 89.84 million as at 31 December 2022, Rs. 27.96 million had been spent. On 16 August 2018, The Maga Naguma Company and SLTB had entered into an agreement for Rs. 49.9 million, but the expenses incurred for it were not submitted for audit. Currently, these emission centers are not functioning, and the emission trust fund provided Rs. 22 million devices were observed to be decomposing. And the buildings constructed for these emission centers were used for other purposes, and the computers provided with the equipment sets were used for other purposes. Accordingly spent amount of Rs. 49.96 million and other expenses which were not submitted had been idle expenditure.</p>	<p>The reason for not needing to prepare a feasibility report for this project was due to the Cabinet decision dated 09.03.2016. The reason why this project did not go ahead was based on the misunderstanding that the legal action taken by the two suppliers would be a factor in moving this project forward.</p>	<p>The persons responsible for decommissioning these emission centers should be traced and the loss should be recovered from them and disciplinary action should be taken against the persons involved.</p>
<p>b) Although, the General Treasury and Sri Lanka Transport board had been allocated a provision of Rs. 113.20 million in the year under review to manufacture 14,400 Rebuild tires annually at an estimated unit cost of Rs. 7,861 per tire by the Rebuild Tire Factory established at Ampara to meet</p>	<p>Ampara Tire Factory has determined the selling price of a tire as Rs. 7,861 based on the price of raw materials prevailing in the market during the period of starting Perasavi tire production. Due to the inflationary situation in the country, the unit cost</p>	<p>Pre-assembled tires should be manufactured and utilized by the SLTB own factories and efforts should be made to control the cost of external procurement.</p>

the needs of tires for running buses and only 8,997 tires were produced at a cost of 107.64 million and the actual cost of producing a tire was Rs.11,964, which was paid Rs. 36,914,691 exceeding the estimated cost.

increased, which led to a decline in the estimated production volume of tires. Therefore, there was a gap between the cost of production and the selling price.

3.2 Identified Losses

Audit Observation	Comments by the management	Recommendation
a) According to the Gratuity Act, employees who have resigned from service must calculate the amount of gratuity they are entitled to and pay it before the expiry of one month from the date of resignation. But due to non-payment in one month, Rs. 8,081,797 were paid as gratuity surcharges during the year under review.	Surcharges have been paid based on written orders based on complaints sent to the Labor Office about issues such as misplacement of files and on the written orders given by the Labor Office to apply adjustment allowances to gratuity.	Payment of gratuity should be made up-to-date so that such deficiencies do not occur.
b) A luxury bus worth Rs.10,800,000 belonging to the Katubedda luxury tourist transport service had met an accident on the highway and was removed from running without repairs. Although a full insurance was obtained for that purpose, the insurance corporation had refused to cover the damages due to the failure of the depot officer to repair the bus within the time given by the insurance corporation.	At that time, its management did not act to compensate the related accident loss through insurance compensation. Arrangements have been made to start an investigation again to reveal the true information about this.	Actions should be taken to recover from the concerned responsible persons or take disciplinary action against them.

3.3 Management Inefficiencies

Audit Observation	Comments of the management	Recommendation
a) On the last day of the reviewed year, 04 bank current accounts exceeding Rs.10 million were observed for audit, and it was observed that the value of current accounts was maintained at Rs.624,588,024 without receiving any interest income.	These bank accounts are linked to the head office of Market Investments and the end of day balance of the bank accounts is transferred to the above market investment account after 12.00 pm and back to Sri Lanka by 09.00 am the next day. Credited to the account. An annual interest of 15%	The interest income received should be properly recognized and disclosed separately in the accounts.

for that and mention that interest income is received to SLTB.

- b) The total overtime cost paid in relation to the 446 million kilometers driven in 2018 was Rs. 283 million and accordingly the overtime cost per kilometer driven in 2018 was 60 cents. Due to the 100% increase in salary from 2018 to 2022, the overtime cost should be Rs. 1.20 per kilometer driven and accordingly, the overtime cost in 2022 Should not exceed Rs.566 million. But the overtime cost in the year 2022 is Rs. 3,074 million, overtime paid Rs. 2,508 million. Accordingly, it was observed that overtime payments are not transparent, the management has not properly fulfilled its responsibility regarding overtime control, and allowing fingerprint machines to be inactive has directly affected the overtime control.
- According to the salary system implemented by SLTB before 10/01/2018, the overtime rate of the primary category employees is close to Rs.95. But as per 2018/10/01 MSD/02/2016 along with the salary conversion, the overtime rate for that category of employees is Rs.175. Accordingly, the overtime rate has been doubled and by the year 2022, the salary revision on 01/01/2019 has been approved for that category of employees, so this overtime rate has exceeded Rs.200.
- A formal program should be adopted for overtime control, and a system should be established for time recording and overtime calculation.

3.4 Operational Inefficiencies

Audit Observation	Comments by the management	Recommendation
<p>a) For the modernization of the tire retreading factory with modern machinery and equipment with increased capacity with the aim of cost control through upgrading the facilities and condition, by the year 2022 Rs. 50 million had been allocated, and the estimated cost was Rs. 69.4 million. Through that, it was planned to double the capacity of the existing factory capacity to 15,000 units, but due to the fact that the task was not completed, it was observed that only 06 regions of the Board had purchased 53,706 pre-manufactured tires worth Rs.786,866,930 during the year under review. Although the Perasavi Tire could be done by utilizing the factory's production capacity to the maximum extent, the</p>	<p>In the year 2022, Rs. 50 million had been allocated for this, and a newspaper advertisement was published under national competitive prices and relevant price calls were made. But the technical evaluation committee appointed to select an organization from among the organizations that submitted the prices in the said procurement activity has recommended that it is appropriate to go for a new procurement activity for this. As the reasons for that, they have informed that the said institutions cannot provide the relevant machines for a physical inspection before purchase and that the presented machines can be</p>	<p>Stop the purchases with high cost</p>

required tires for perasavi were not imported and delivered. sent to the factory from the respective regional and depots.

- b) According to the duty cycles of the employees in the year 2022, the number of buses which were planned to run on 53 routes by the Vavunia depot was 34 buses daily. As a result, services on 19 routes were disrupted due to non-operation of buses for 08 journeys from Vavunia to Colombo, 02 journeys to Pottuvil and 02 journeys from Vavunia to Kandy, which earn a daily income of Rs.200,000 while there are sufficient drivers and conductors and there are sufficient number of buses, It was observed that an estimated income of Rs.576 million had been lost in the year 2022.
- I further inform that the minimum number required for running 34 buses is 48 drivers and 48 conductors. Because there are not enough drivers/conductors, currently 34 or 33 buses are running. It is possible to run a certain number of buses with the number of employees available.
- Duty cycles should be arranged so that the drivers and conductors can be employed at their maximum capacity and income should be increased by giving priority to the routes that generate more income.

3.5 Contentious Transactions

Audit Observation	Comments of the management	Recommendation
<p>a) Although the approval of the Cabinet dated June 07, 2016, the land value of Rs. 10,250,500,000 belonging to the Sri Lanka Transport Board, which was assigned to Provident Property Lanka LTD, was invested in the Employees' Provident Fund and given to SLTB. The company had not paid for it. It was not done until 31December 2022 that the land assigned to the company by SLTB was taken back. Among those plot of land.It was observed that there are 12.1566 hectares belonging to Kesbewa, Homagama, Maharagama, Moratuwa and Katubedda depots and 0.3306 hectares belonging to Piliyandala bus stand. According to the information obtained from the company registrar, it was already confirmed that this company is a defunct company. In spite of this, due</p>	<p>Although Sri Lanka Transport Board as a solution to settle the amount owed to the Employees' Provident Fund before the year 2015 , the cabinet of Ministers approved that the amount to be transferred to the institutions that used the land at that time would be used to settle the deficit funds. The cabinet of Ministers gave approval to assess the land based on the undeveloped valuation value of the 13 plots of land that were in trust and hand them over to Providence Property Lanka Company through exemption papers and give the corresponding amount.</p>	<p>When transferring the lands owned by the board to other parties, the correct deeds and value of the said lands should be obtained and they should be properly accounted for and the transfers or sales should be done.</p>

to the decision taken by the Cabinet of Ministers on January 23, 2023, the land assigned to the company was transferred to the requesting parties and the value of the land was paid to the SLTB . It was observed that uncertainty has been created regarding the transfer of those plots of land back to SLTB

- b) When issuing the required fuel to the buses, the amount of fuel required should be recorded in the log sheets submitted by the driver along with the relevant destination, The officer issuing the fuel should record the amount of fuel applied to the bus and the bus number on the ER-08 sheet according to the amount mentioned in the relevant log sheet. But 27,318 liters of fuel with a value of Rs.11,752,880, which was not recorded in the log notes in Maharagama and Gampaha depots in the month of August 2022, was recorded in the ER-08 paper and accounted for as released to the buses.
- 9,916 liters of diesel in Maharagama depot and 17,402 liters of diesel in Gampaha depot according to No 8 report, the numbers of the buses were not mentioned and the amount of fuel issued was not mentioned in the log sheet, which is a violation of the board's practices. I will make a special investigation about the audit observation and give a report within three months. However, I am also informed that if any irregularities are found during the special investigation, disciplinary action will be taken against those responsible.
- Proper internal control over the issue of fuel should be maintained and direct supervision should be exercised in this regard.
- c) The amount of fuel stock to be maintained at the Maharagama depot on the last day of August 2022 was 326,772 liters. But the actual fuel stock in the tanks on that day was recorded as 48,598 liters. Accordingly, a deficiency of 278,174 liters of fuel worth Rs. 119,614,820 was observed, and the reasons for that deficiency were not submitted to the audit. The Board had also made an allocation of Rs. 36,799,884 in the accounts of the reviewed year for the fuel stock shortage. Also, the daily total money was deposited in the safe at Maharagama depot on 28 February 2023, and during the physical money check conducted on 01 March 2023, a deficiency of Rs.63,510 was revealed in the money kept in the safe.
- Agree with the audit review and expedite formal investigation into non-adherence to corporate practices.
- The deficiency should be recovered and disciplinary action should be taken against those responsible.

- d) Although 4,841 liters of fuel worth an extraordinary amounting to Rs.1,756,902 was supplied to an emergency vehicle at the NuwaraEliya depot during the year under review, the above fuel consumption could not be accepted in the audit due to the failure of the milometer of the relevant disaster vehicle and the non-maintenance of the P-II document regarding the work done and the places traveled and the details related to the fuel consumption were not submitted to the audit.
- In this depot, 4,841 liters of fuel was provided for the emergency vehicle numbered 29 Sri 0784. The spare parts required for the repair of the milometer are not yet available from the market. According to the information given, I will conduct an investigation on the use of the vehicle and fuel consumption and submit a report.
- The Depot Managers should submit future plans for the work to be done and keep records of the work done under the supervision of the Zonal Office.

3.6 Underutilization of Funds

Audit Observation	Comments by the management	Recommendation
<p>a) According to the action plan of the year 2022, the board had planned to run 5,794 buses daily. It was planned to repair and put into operation 840 sets of engines needed to fulfill that task annually, and for that purpose, the treasury and SLTB allocation of Rs. 661.50 million had been allocated. But the number of buses that had been repaired by the board was 254, and the amount spent was 77.13 million rupees. Accordingly, it was observed that it was not possible to add buses to the fleet as per the target in the reduction of the expected output target by about 70%.</p>	<p>But for the year 2022, plans have been prepared and the work has been started. After that, due to the fuel shortage in the country, the transportation activities were disrupted, the spare parts market was limited, and the procurement activities for the year 2022 were not completed, the production activities could not be carried out to the target extent.</p>	<p>The existing facilities should be utilized to the maximum extent and the annual allocation should be effectively used to repair the buses.</p>
<p>b) With the aim of refurbishing old buses and putting them back into service, centered on Kurunegala, Yatinuvara, Gampaha and Mallakam regional workshops, to repair 740 old gearboxes and keep the fleet running, the manufacturing unit had a provision of Rs 140.4 million with a profit margin of 50% on cost. But in the year 2022, the number of repaired gearboxes is 139, and the amount</p>	<p>Due to the lack of fuel in the country, transportation activities were disrupted and the spare parts market was lacking, so it was not possible to fulfill the target. Also, only Rs.750 million was received for the year 2022 out of Rs.1,500 million requested from the Treasury. The amount was not enough. Accordingly, it was not possible to produce the target sizes</p>	<p>In working according to the action plan, it should be ensured that the treasury capital expenditure is not transferred to the rehabilitation expenditure heads, and the capital provision should be spent in the relevant expenditure subject.</p>

spent is 18.12 million rupees. Accordingly, 19 percent of the expected targets were achieved.

- c) Although an allocation of 238.5 million rupees has been set aside for the year 2022 for the repair of 300 bus bodies by local workshops and depots using treasury and SLTB allocations to maintain the fleet in running condition, during the year under review, the number of buses repaired and put into service was about 180. Due to the lack of fuel in the country, transport activities have been disrupted, spare parts are in short supply in the market and procurement activities for the year 2022 have not been completed. The production activities could not be carried out to the target extent. Also, only Rs.750 million was received for the year 2022 out of Rs.1,500 million requested from the Treasury. The amount was not enough. Accordingly, it was not possible to produce the target sizes of gearboxes. According to the action plan, the repair works should be carried out and added to the running of the vehicles so that the provisions are utilized to the maximum extent.
- d) According to the action plan of 2022, old buses will be repaired and put into operation for the repair of 2040 old starter motors, 1200 old alternators, 1080 old fuel pumps and 3000 old fuel injectors, Although an Alternators of Rs.180 million had been presented in the year under review, only 14 starter motors, 409 fuel pumps and 1760 fuel injectors had been produced in the year 2022 at a cost of Rs.10.36 million and While the Board had the ability to repair and use these spare parts, they had been procured from outside without carrying out any repair work. For this purpose, the amount spent by only 04 regions of the board during the reviewed year was Rs.1,205,210. SLTBRepairs of starter motors, alternators, fuel pumps and fuel injectors required for the maintenance of buses running in the fleet are planned to be carried out by local workshops and the depot garage. But again in the year 2022, external agencies will carry out those activities. The approval has been given by the chairman and accordingly the repair of sub-sections by external agencies has reduced the number of repairs carried out by local workshops. Work should be planned so that the available resources and labor in the board and depots can be utilized to the maximum extent and can be used to run buses and accordingly increase the production and reduce the cost of external purchases and allocation should be done with a formal study every year.
- e) In the year 2022, SLTBhad allocated Rs.142.04 million for 160 different tasks in 106 depots including the head office either through internal employee labor or external agencies, but those tasks were not completed. This is because there is not enough technical staff to carry out these tasks in the year 2022. Also scarcity of raw materials and abnormally high prices are other factors that have influenced this. Repair work should be carried out through internal employee management and at maximum capacity.

- f) It was observed that every depot makes an allocation of Rs.20,000 or Rs.30,000 from the daily receipts for gratuity payments. Accordingly, an amount of Rs. 50,065,000 collected in the Kalutara Regional Office, which was subjected to inspection, had been retained in their current account as at 31 December 2022.
- An approval has also been obtained by referring to the board of directors for the gratuity fund of each depot and according to the said approval, the amount mentioned here will be collected in the account of the regional office. The amount so collected to the current account of the regional office is deposited on a daily basis to SLTB Investment Commercial account at the head office. I mention that the market in the head office is linked to the investment account and thus, by investing in that account, a benefit is obtained.
- Funds should be maintained under formal supervision with approval and under centralized planning.

3.7 Procurement Management

Audit Observation	Comments by the management	Recommendation
<p>On 20 March 2018, the Board had entered into an agreement with a private company for the construction of Orugudawatta Petrol Station worth Rs.61,014,316. According to the agreement, the construction works were to be completed on 30 June 2018, but by March 2023, the construction works were not completed and the gas station was not put into use. As at 31 December 2022, an amount of Rs.32,118,352 had been paid to the contractor. However, due to non-completion of the work by the contractor, the contract was canceled and the Central Engineering Bureau (CECB) was asked to prepare an assessment report on the work done and an estimate for the future work, till now this assessment report and estimate were not provided. Also, during the on-site inspection, including the complete decay of the roof of the gas station, the board had to bear a loss of Rs. 8,978,845 due to recommending and paying for the work done inconsistently with the plans without considering the quality of the work done. Also, as at</p>	<p>The performance bond worth Rs.3,051,000 held by Laugh Engineering Pvt. Ltd. regarding the non-timely completion of work at the Orugudawatta Petrol Station, On 11.06.2020, arrangements have been made to credit the account number 0001168517 of the Bank of Ceylon branch maintained by SLTB. I admit that the roof of the constructed building is not completely rotted but in places. During the fuel crisis, instructions were given to start the fuel station and due to this, the repair works that should have been identified and done initially were carried out by civil engineering workers and provided the necessary goods. The amount spent for that is Rs. 704,958.74.</p>	<p>Over 5 years have passed for the operation of the Orugudawatta petrol station, and the board has lost an income that it could have earned through that and as the fuel station is dilapidated and destroyed, immediate action should be taken to start the fuel station.</p>

31 December 2022, 07 diesel and petrol pumps and a generator which had been paid Rs. 11,565,320 were stored insecurely, and the warranty period of the generator had also exceeded.

3.8 Resources Released to Other Organizations

Audit Observation	Comments by the management	Recommendation
It was observed that an amount of Rs. 16,758,304 should have been collected from 13 depots, 05 regional offices, the head office and the head office of Ruhunu Bus Company due to continuous lending of fuel from Avissawella depot. While the arrears were to be collected, fuel was continuously issued on credit, and no action was taken to recover the related debt.	Letters have been submitted to the Head Office, Regional Office and Depot to recover credit, but the said money has not been remitted to the depot till now.	Arrangements should be made for the release of payments related to daily fuel releases, and the release of fuel by the depot should be subject to formal control.

3.9 Vehicle System Management

Audit Observation	Comments by the management	Recommendation
Number of 433 leased buses owned by the Sri Lanka Transport Board worth Rs.2,063,693,707 were included in property, plant and equipment at the end of the year under review, and It was observed that 409 buses costing Rs.1,952,651,849 have not been identified with the region and depot to which the bus belongs and another 21 buses of the value of Rs.96,896,702 have not been identified. Although these buses were registered under the Motor Transport Commissioner, their registration numbers were not mentioned in the fixed assets sub-register.	Acknowledge that relevant error has occurred.	As it is an asset, asset records must be taken and asset records must be maintained regularly to confirm the ownership and existence of buses.

4. Accountability and good governance

4.1 Effectiveness of Management Information System

Audit Observation	Comments by the management	Recommendation
a) Number of 7 Soft wares running currently such as , ERP software installed in apps.sltb.lk and Erp.sltb.lk web server developed by program	Having a centralized system is considered very essential and there is no obstacle for it. The preliminary work for	Operations should be planned through a centralized information system so that all

analysts in Sri Lanka, Saga Acc Pack Accounting used to prepare final accounts and streamline financing and Stock Control Activities Software, Supplier registration software through SLTB website, Electronic Ticket Machine software system used through btm.sltb.lk web application to exchange information regarding 10,750 electronic ticket machines, Bus Seat Reservation Software under ESAT.SLTB.lk website, Free Pass Issuance software for military and police personnel and software designed for Entering Police vouchers and it was observed that those softwares are not coordinated through a centralized server.

purchasing one centralized information system for IT is currently being done under the Deputy General Manager (Finance).

information systems are connected.

- b) Although 04 soft wares such as for Document Exchange Information system ,Issue of Share certificates, Human Resource Management System (New) developed by the Board by paying monthly salaries of Rs.75,000 for each of two Information Analysts, Information System for entering board papers, and with the departure of those officers from the board, the information systems and software have also become inactive and it was observed that the expenses incurred for the same are also non-existent.

Based on SLTB administrative decisions and by software development officers, the old systems are not innovated to match the present and the systems are insecure and it is problematic to get reports, the failure of professional officers to join the service of the board had also led to the failure of these systems.

In order to find out the reasons for the malfunctioning of the systems and software that have become inactive, necessary arrangements should be made to install a new centralized system in place of all the systems to cover the losses.

4.2 Budgetary Control

Audit Observation
An amounting to Rs.606, 310,000 spent by the board for the rehabilitation of buses from the amount of Rs.750 million allocated for the year 2022 under the general treasury expenditure Head No 436-02-03-01-2201-12 for the rehabilitation of buses of the Sri Lanka Transport Board. After capitalizing the amount and without depreciating it

Comments by the management
No answers provided

Recommendation
Capital Expenditure allocated through the Annual Appropriation Act by the Treasury should be properly utilized, managed and accounted for.

annually, the total amount was Rs.157,553,197 which was an annual loss and through adjustment under allowances and subsidies, a profit of Rs.484,219,604 was shown for the year ending 31December 2022.

4.3 Environmental Issues

Audit Observation	Comments by the management	Recommendation
<p>A recognized and approved system shall be used for the disposal of fuel and lubricant waste and plastic and electronic waste in all depot premises and yards of local works belonging to the Transport Board, and a permit should be obtained from the Central Environment Authority as per the Special Gazette No. 1533/16 dated 25 January 2008 and the National Environment Act No. 47 of 1980.</p> <p>But according to the data of 06 regions belonging to the board, it was observed that out of 58 depots and workplaces belonging to those regions, 29 depots and workplaces had not obtained the environmental license.</p>	<p>No answers provided</p>	<p>According to the provisions of the Environmental Act, environmental permits are required for waste disposal sites.</p>

4.4 Sustainable Development Goals

Audit Observation	Comments by the management	Recommendation
<p>According to the 2030 Agenda for Sustainable Development of the United Nations, the Board had not worked to identify and secure the resources and capacities required to implement that agenda. It was observed that the Board had not identified what KPIs it would use to monitor the achievement of the Sustainable Development Goals.</p>	<p>No answers provided</p>	<p>According to the 2030 Agenda for Sustainable Development of the United Nations, the board should prepare and approve the identified performance indicators (KPI).</p>