

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Sri Lanka Transport Board (‘Board’) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income , statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements 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 the Financial Act No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, because of the significance of the matters discussed in Paragraph 1.5 of this report, the accompanying financial statements of the Board do not give a true and fair view of the financial position of the Board as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards

1.2 Basis for adverse opinion

An adverse opinion is issued due to the materiality of the matters discussed in paragraph 1.5 of this report.

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

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 determine 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 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 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 Auditor's Responsibilities 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit Procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of the accounting policies adopted by the management and the fairness of the accounting estimates used the related disclosures
- 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 Authority'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. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority 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 it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

	Non-compliance with reference to relevant standard	Management's comments	Recommendation
(a)	According to the Sri Lanka Accounting Standard No. 01 (LKAS 01) standard on presentation of financial statements, comparative statements of accounts for the previous period should have presented for all accounts reported in the financial statements, but in the financial statements presented for the year ending 31 December 2023 The comparative statements of accounts had not been presented for the profit and loss accounts related to the Driving Training School and the Fuel Station, which were presented as notes no. 21 and 22 respectively,	From the time of establishment of SLTB In the year 2005 until now, the profit for the units of Fuel Stations and Driving Training Schools were calculated separately and recorded in the notes of the Financial Reports. But the comparative information of the previous year in respect of those units has been shown in respect of both the years in the Statement of Comprehensive Income.	That the comparative statements of accounting should be presented in accordance with the accounting standard.
(b)	According to Section 35 of the Sri Lanka Accounting Standard No. 01 (LKAS 01) of the Standard on Presentation of Financial Statements, foreign exchange gains and losses should be reported separately in the account if they are materially greater, As per the order dated 09 May 2019 which was announced the settlement of the dollar value of the amount and interest should have been paid to the supplier due to an arbitration case	As all the payments related to the settlement have not been completed until now, it is difficult to determine the total amount to be paid in Sri Lanka Rupees. Therefore, after the settlement of these payments, related adjustments will be made	Exchange losses should be properly accounted for as per the accounting standard.

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| <p>filed by the supplier company against the non-payment as per the agreement for the purchase of spare parts and the payment said amount in the year 2023 due to the devalued amount of Rs.462,892,919 which had to pay the supplier as devaluation of rupee value was not disclosed separately in the accounts of the year under review.</p> | <p>to the Financial Statements.</p> |
| <p>(c) According to Section 35 of Sri Lanka Accounting Standard No. 07 (LKAS 07), cash flows arising from taxes should be disclosed separately, but the tax value of Rs.145,000,000 had been paid to the Treasury during the year under review was not disclosed in the cash flow statement.</p> | <p>Since the cash flow statement has been prepared on the basis of profit after dividend payment, the dividend payments are included in the cash flow statement. According to the accounting standard, taxes or dividends should be disclosed separately in the cash flow statement.</p> |
| <p>(d) Although in accordance with Section 20 (9) of Sri Lanka Accounting Standard No. 07 (LKAS 07) only the change in inventory, receivable and payable balances should be adjusted as changes in working capital in the relevant period while preparing the statement of cash flows under the indirect method. a balance of Rs.1,860,824,837 which was incorrectly accounted for under non-current liabilities, removed from the books that balance was incorrectly adjusted under changes in working capital in the cash flow statement. As a result, the net cash flow generated from the operations of the current year had decreased by that amount.</p> | <p>This incorrect payable value has been corrected in the SLTB set of accounts with Board approval. The settlement of this payable amount is neither a financing activity nor an investing activity, and should be treated as an operating activity. As per the accounting standard, action should be taken to ensure that non-current assets are not incorrectly adjusted under working capital changes.</p> |
| <p>(e) According to paragraph 73 of Sri Lanka Accounting Standard No. 16 (LKAS 16), the effective lifetime or percentage of depreciation of property, plant and equipment must be disclosed in the final accounts, but during the transition year, computer software at a rate of 33.33 percent and a value of Rs.3,275,225, ticket machines at a rate of 25 percent to the value of Rs.5,192,034, Air conditioners at the rate of 10 percent to the value of Rs.1,676,088 and other assets at the rate of 10 percent to the value of Rs.5,362,939 were depreciated, but the depreciation percentages of those assets</p> | <p>Ticket machines are included in the depreciation policy for computers, while other assets, air conditioners, office equipment and machines, etc. are shown under machinery. Depreciation percentages should be disclosed in the notes to the accounts as per the accounting standard.</p> |

had not been disclosed in the notes to the final accounts of Financial Statements.

- (f) According to paragraph 07 of Sri Lanka Accounting Standard No. 16 (LKAS 16), in order to recognize the cost of property, plant and equipment as an asset, if the asset should have the ability to generate future economic benefits into the entity, but the amount of Rs.1,367,754,792 for the Buses which have been unusable as condemned, and other vehicles worth Rs.1,041,195 were also unusable and condemned had been accounted as property, plant and equipment, and schedules in this regard had not been submitted for audit.
- Sri Lanka Transport Board had established by merging all workplaces and companies under The Sri Lanka Transport Board Act No. 27 of 2005 dated 19.10.2005. Accordingly, the balances indicated in the query are the long-outstanding asset balances shown in the consolidated accounts prepared on 18.10.2005.
- Assets should be correctly classified and accounted for as per the accounting standard and correct asset schedules should be submitted for audit.
- (g) According to paragraph 37 of Sri Lanka Accounting Standard No. 16 (LKAS 16), property, plant and equipment of an organization must be categorized, but as of 31 December 2023, there is an unrecognized other asset category worth Rs.75,842,984, and the cost, accumulated depreciation, annual depreciation value and carrying amount of these assets had not been shown separately.
- Other assets balance includes the balances prior to the year 2016 as well as separately identifiable assets purchased from 2016 to 2022. After the year 2016, all assets are identified separately, and the balance before that cannot be identified separately.
- According to the accounting standard, property, plant and equipment should be categorized and the cost of assets, accumulated depreciation, annual depreciation and carrying amount should be shown separately.
- (h) After recognition as an asset in accordance with paragraph 31 of Sri Lanka Accounting Standard No. 16 (LKAS 16), the asset should be revalued as an item or group when the fair value of the asset can be reliably measured after deducting accumulated depreciation and impairment losses over the lifetime of the asset. But as on 31 December 2023, the number of 2,715 buses own to the Board, 2,586 leased buses and 1,305 engines had been shown in accounts with a net value of Rs.1,000 The fair value of those buses had not been revaluated and accounted since 83 percent of these buses are being used for operating activities.
- The net value of these buses has been recorded as Rs.1,000/- for a long time to keep them from not being removed from the asset register. However, according to Sub No. 36 of LKAS 16, the entire class of assets should be revalued for the revaluation of the relevant assets and it will take a lot of time and a lot of expense to complete the revaluation of the buses.
- As per the accounting standard, the assets should be correctly revalued and the revalued value amount should be accounted.

- (i) In accordance with Sri Lanka Accounting Standard No. 18 (LKAS 18), the stage of completion of the transaction is reliably measured at the end of the reporting period when the amount of revenue from transactions related to the provision of services can be measured reliably and when economic benefits related to the transaction exist and flow into the entity to be recognized and accounted for separately as far as possible, an aggregated amount of Rs.1,027,297,101 as which the amount of Rs.1,019,797,453 collected as waybills income in the year 2023 and Rs.7,499,648 as revenue earned for covering special travel buses turns respectively belonging to SLTB on the highways by using Ashok Leyland Company's buses had not been accounted as income for the year under reviewed.
- The daily income received should be credited to the "Bus Rental Income Account" and fuel, gratuity, employee remuneration and entrance fees should be debited to the Bus Rental Income Account. The net value of that amount as 85% and 15% had been shared through the owner and SLTB. The amount of 15% share pertaining to the SLTB had been accounted as bus rental income. It is given under Note No. 17 of the financial statements of the year 2023
- According to the accounting standard, waybills income earned should be accounted as revenue in the year under review.
- (j) Although the current service cost and gratuity provisions were calculated at present value according to the defined benefit plan and a formal equation for gratuity accounting in retirement benefit accounting as per the Sri Lanka Accounting Standard No. 19 (LKAS 19), The amount of Rs.1,037,220,225 accrued interest and the actuarial gain of Rs.90,742,519 on the balance of the Plan Liability account as on 01 January 2023 had not disclosed separately in the accounts of the year under review, and the net amount of Rs.946,477,706 between the both values erroneously accounted for under other comprehensive income as a retirement benefit deficiency.
- Allocation of gratuity is done as per (LKAS 19). It is expected to start a fund for payment of gratuity as indicated by the audit from the year 2005. In the background of no investment activity, a calculation of accrued interest on the balance as on 01 January 2023 and allocation for the same cannot be made.
- Accrued interest and actuarial gains related to plan liability should be properly accounted for as per the accounting standard.
- (k) During the year under reviewed, an amount of Rs.20,000 to Rs.30,000 from the daily income collected by all depots covering each depot was credited to a fund for gratuity payments and an amount of Rs.916,047,510 had been collected and from that fund Rs.1,114,698,800 had been paid as gratuity payments during the year under review. But as per the Sri Lanka Accounting Standard No. 19 (LKAS 19), the fair value (FV), present value (PV), current service cost and
- SLTB had not been established gratuity fund. However, according to the provisions of the gratuity payment of retired employees until the end of 2018, a large number of cases were reported that were not paid within a month, and only a harmful of gratuity
- As per the accounting standard, the plan assets should be properly recognized, accounted and the interest earned and the actuarial gain should be accounted.

actuarial gain of the asset related to the benefit plan assets had not been identified and accounted correctly.

payments were made on the due date. Thus, the payment of surcharges and the proceedings assigned to demand surcharges have also been avoided.

- (l) Although according to Sri Lanka Accounting Standard No. 20(2) government grants are recognized as deferred income or government grants and should be amortized on a rational and systematic basis based on the useful life of the asset, an amount of Rs.5,513,325,424 which were received under Indian credit grants and local funds for the purchase of 500 buses was accounted as deferred income or government grants and amortized based on the useful life of the 08 years of asset purchased but, an amount of RS.218,260,298 had not been accounted for as income in the Comprehensive Income Statement of the year under review.
- The cost of buses purchased in relation to the accounting year is not Rs.7,875,574,424 shown in the audit inquiry and that should be Rs. 5,513,996,941.02 as accounted by SLTB. The Chief Accountant of the Ministry of Transport has forwarded a copy of my letter No. NT/04/09/CT/176/Vol-V dated 17/05/2024 to the Audit Superintendent.
- According to the accounting standard, government grants should be correctly recognized and amortized based on useful lifetime.
- (m) In accordance with Sri Lanka Accounting Standard No. 36 (LKAS 36), if the Board has a legal obligation as a result of a past event, an outflow of funds to settle the obligation is probable and the amount of the obligation is estimated, even if the amount should be accounted for as an contingent liability, an amount of Rs.2,075,449,378 payable as compensation due to road accidents during the year under reviewed had not accounted as liability in the financial statements of the year under review.
- The amount of Rs.2,075,449,378 as compensation payable due to road accidents cannot be recognized as contingent liability on the basis of having a present obligation as a result of a past event of a liability, the outflow of resources of the business in settling that obligation, and being able to make a reliable estimate of the obligation,
- Contingent liability should be properly identified and accounted for as per the accounting standard.
- (n) Although in accordance with Sri Lanka Accounting Standard No. 36 (LKAS 36) when an inflow of economic benefits or service possibilities is probable, the board should disclose in the accounts a concise description of the nature of the intangible asset at the reporting date and an estimate of the financial effect for the outstanding amount of Rs.142,523,600 for the SLTB buses provided to transport the people who
- 42 depots have provided buses for the presidential election and the related accounting work has not been done by those depots. Under Sri Lanka Accounting Standard No. LKAS 36, intangible assets are not contingent liabilities. The amount to
- According to the accounting standard, the amount due to the board and the contingent liability should be correctly identified and disclosed in the

participated in the campaign meetings of the former President in the presidential election of 2015, which had started legal proceedings, and Cash assets of Rs.236,569,639 deposited in court for the debt to be paid to a private entity according to the settlement order dated 26 June 2023 had not been disclosed in the accounts.

be deposited in court for accounts. debts owed to a private entity is included in the 2023 financial statements.

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| <p>(o) According to Sri Lanka Accounting Standard No. 38 (LKAS 38), computer software costing Rs.36,426,972 should have been accounted for after initial recognition, deducting accumulated depreciation and losses from the cost, the accounting software systems worth Rs.3,012,277 and Rs.2,321,105 purchased on 08 September 2020 and 13 January 2020 respectively were depreciated without amortization according to their expected lifetime and, the depreciated value of these two software's was overstated by Rs.959,661, and due to which The profit for the year was understated by that amount.</p> | <p>The relevant error has occurred. Corrected on 31.01.2024.</p> | <p>According to the accounting standard, intangible assets should be amortized and accounted for over their expected lifetime.</p> |
| <p>(p) Although clause 21 of Sri Lanka Accounting Standard 38 (LKAS 38) requires that intangible assets be recognized only when it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. The value of Rs.1,500,000 allocated in March 2022 for the purchase of an ERP software system for the implementation of the National Prepaid Card System was not paid, but the profit for the year was reduced by that amount due to the computer software being included in the account and depreciated to Rs.499,950 in the year under reviewed.</p> | <p>The relevant error has occurred. Corrected on 31.01.2024.</p> | <p>According to the accounting standard, the cost of assets should be accurately recognized and accounted for and depreciated when they can be measured reliably.</p> |

1.5.2 Accounting policies

Audit Observation	Management's comments	Recommendation
<p>Although the formal framework for preparation of financial statements should not overstate assets or</p>	<p>According to this system, the daily income received</p>	<p>The income and expenses of the</p>

revenues and understate liabilities or expenses, In the year under review an aggregating sum of Rs.1,035,123,330 consist as the expenditure of Rs.647,383,565, which was deducted as expenses from the waybills income earned due to the running of luxury buses belonging to Ashok Leyland company on highways, and the amount of Rs.347,621,164 paid as profit to Ashok Leyland company and the amount of Rs.40,118,601 owed to be the said company. And another aggregating sum of Rs.7,445,648 as an expenses to Ashok Leyland from the income earned by using Lanka Ashok Leyland Company buses instead of board buses for special trips paid Rs.3,446,420, the amount of Rs.3,999,228 paid as profit had not been shown under expenses and liabilities of the Financial Statements.

from the buses of the year under review respective company should be credited to the identified "Rental Bus Income Account" and fuel, properly and should be bonuses, employee wages exercised and entrance fees should prudence while be debited to the Rented preparing the Bus Income Account. The financial net value of that account statements. is 85% and 15% to the bus owner and SLTB were shared. The amount of 15% pertaining to the SLTB has been accounted as bus rental income.

1.5.3 Accounting deficiencies

Audit Observation	Management's comments	Recommendation
(a) According to the property, plant and equipment schedule as end of the day of the year under review, the cost of buses was Rs.15,183,719,274, but in the final accounts it was Rs.17,465,573,721, so the cost of buses was overstated by Rs.2,281,854,447. Further, the value of Rs.4,816,758 Ashok Leyland 54 seater bus purchased on 25 July 2014 which was not included in the property, plant and equipment schedule, so the property, plant and equipment balance was shown less than by that amount.	I acknowledge that the relevant error has occurred.	Schedules should be prepared according to asset records and final accounts should be prepared accordingly.
(b) In the property, plant and equipment sub-register submitted for the end date of the day for the year under review except buses, the balances related to 06 asset items were compared with the asset balance mentioned in final account balance, the value of property, plant and equipment amount has been overstated by Rs.406,356,901 .	Between the sub-documents and the final accounts provided by the Finance Division to the Audit Division, the difference is Rs.406,356,901 when adjustments are made.	Schedules should be prepared according to asset register and final accounts should be prepared accordingly.
(c) Rupee value relating to US\$ 13,331,250 utilized out of US\$ 15.03 million allocated by Exim Bank of India to purchase 500 new	All payments for these 500 buses were made by the Ministry of Transport	The cost incurred for the purchase of the asset

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| <p>32-seater buses for the Transport Board under the Indian Credit Terms Agreement and including the warehousing charges incurred for repatriation of the buses as the difference between the cost of Rs.5,513,325,424 and the accounting value of Rs.5,513,996,941 to bring the buses to their current location and condition a total amount of Rs.671,517 had been over-accounted as capital assets in the statement of financial position of the year under review.</p> | <p>and the Ministry of Finance. Therefore, information related to those payments was brought by the Ministry of Transport to capitalize these assets. Based on that information, the respective assets had accounted for. Accordingly, the value accounted for these 500 buses is Rs.5,513,996,941.02</p> | <p>should be accurately identified and accounted.</p> |
| <p>(d) According to the property, plant and equipment schedule, the depreciation value for buildings and buses in the reviewed year was Rs.60,479,551 and Rs.878,395,273 and, but in the final accounts it was stated as Rs.59,791,800 and Rs.874,811,245 and therefore the depreciable value had been understated by Rs.687,751 and Rs.3,584,028 respectively. Therefore, the profit and property, plant and equipment balance of the year under review had increased by that amounts.</p> | <p>The asset register maintained so far was adjusted for each unit for the presentation of the 2023 final accounts by SLTB. This error has occurred while summarizing the data in the asset register prepared at the unit level.</p> | <p>Property, plant and equipment should be correctly identified and the correct depreciation accounted.</p> |
| <p>(e) In the year 2023 Army and Air Force Travel Pass Revenue Account, the total of previous years is Rs.35,361,791 was recorded as receipts in the year under review without setting off the debtor balance, so the income of the transition year was overstated by that amount and the related debtor balance was overstated.</p> | <p>An error occurred while placing the account</p> | <p>Travel Pass revenues relating to the year under review should be correctly recognized and accounted.</p> |
| <p>(f) Due to the fact that the value of 02 checks of Rs.2,138,829 each issued on 05 December 2023 as an advance for the purchase of fuel by the Thanamalwila Depot belonging to Uva region, the value of Rs.4,277,658 has been accounted as a debit balance in the credit balance of the closing accounts of the year under review. Therefore, the creditor balance was understated by that amount and the advance balance was also understated.</p> | <p>The relevant error has occurred. Written instructions have been given to Assistant Finance to carry out the work responsibly so that such errors do not occur in the future.</p> | <p>Issuance of advances for purchases is inaccurate, and advances paid should be properly accounted for.</p> |

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| (g) | According to the bank balance confirmation of the savings account maintained by the Maharagama Depot at the People's Bank, the balance was Rs.75,684,839 as end of the day for the year under reviewed, but due to the fact that it was shown as Rs.79,964,948 in the final accounts, the balance shown in the final accounts was overstated by Rs.4,280,109. | The new Assistant Manager (Finance) appointed for Maharagama Depot has stated that this error is a balance coming forward from before the year 2012. | The reasons for the decrease in cash balance should be investigated and action should be taken against those responsible. |
| (h) | According to the balance confirmation of the savings account maintained by the Thanamalwila Depot in the People's Bank, the closing balance was a favorable balance of Rs.375,044, and due to accounting as an unfavorable balance in the final accounts of the year under review, the saving account balance shown in the final accounts is double and understated by Rs.750,088. | The relevant error has occurred. This error occurred due to the debit balance of Rs.375,044.00 was credited by omission. | The reasons for the change should be investigated and the incorrect accounting should be corrected. |
| (i) | Although the debit balance of Rs.759,227 and the overdraft balance of Rs.4,585,117 in the 05 bank account balances maintained in the Eastern Regional Office and Batticaloa Depot had shown as current bank account balances in the final accounts of the year under review, those balances are incorrect balances due to incorrect accounting entries and Therefore, the actual cash balance in the final accounts was understated by Rs.3,825,890. | The relevant error has occurred. This error occurred while entering the information of 05 bank accounts belonging to the Eastern region in the accounting package in the year 2018. At present these bank accounts are not functioning and the relevant officials have been instructed to make the relevant adjustments and correct them. | Incorrect balance should be investigated and action should be taken against those responsible. |
| (j) | According to the cash account of the current accounts maintained at Badulla, Mahianganaya, Kappetipola, Mootur and Kathankudi depots, reasons for understatement of the overdraft balance shown in the final accounts as on 31 December of the year under review the aggregated overdraft balance was understated by Rs.14,789,142. | I acknowledge that this error has been committed by Badulla Depot. I admit that this offense was committed by Mahianganaya Depot and Kappetipola Depot, and Kathankudi Depot. | The overdraft balance should be investigated and action taken against those responsible. |
| (k) | According to the cash book the overdraft balance shown in the final accounts as on 31 December of the year under review was overstated overdraft balance by Rs.6,453,619 | The error occurred due to the entry of a payment made by Mannar Depot in January 2024 in the cash | The overdraft balance should be investigated and action to be taken |

- due to the overstatement of the current accounts maintained by Mannar Depot, Maharagama Depot and Central Bus Office. I admit that Maharagama Depot also committed this error while keeping accounts. against those responsible.
- (l) According to the schedule submitted on 31 December 2023, the current account debit balance was Rs.566,252,078, but in the final accounts it was shown as Rs.1,082,572,294, so the final account balance was overstated by Rs.516,320,216. I declare that there is no difference between the balances of the current accounts and the balances of the closing accounts. Debit balance difference should be investigated and necessary action should be taken.
- (m) A sum of Rs.740,984,457 in 60 fixed deposit accounts as on 31st December 2023 as per the direct balance confirmation provided by the relevant financial institutions for audit as on 31st December 2023 in relation to fixed deposits maintained by the board's depots, regional offices, regional workplaces and driving training colleges, And there was, the fixed deposit balance was understated by Rs.16,412,175 as it was shown as Rs.724,572,282 in the year-end accounts under review. In this short balance, there was also a fixed deposit of Rs.15,000,000 maintained by Maharagama Depot at Maharagama People's Bank. The relevant error has occurred. This offense has occurred due to an error at the concerned Maharagama station and the concerned Assistant Manager (Finance) has been transferred to another depot. A comprehensive investigation should be conducted and necessary action should be taken against those responsible.
- (n) Out of fixed deposits worth Rs.740,484,457 held by the Board, the amount of Rs.34,889,365 which is accrued interest for the year under review for 57 deposits had not accounted as accrued interest income in the year under review. Due to this, the income of the year was understated by that amount. I acknowledge that the relevant error has occurred. Accrued interest recognized and should be accounted properly by accounting Fix Deposit balances correctly.
- (o) Accumulated profit for the year 2023 had been overstated by Rs.937,486,487 due to the understatement of the balance of that amount which was accounted as gratuity payments in the administrative expenses balance of the comparative statement of accounts for the year 2022 submitted with the comprehensive income statement for the year ended 31st December 2023. As indicated, there has been no decrease in accumulated profit as on 31.12.2023 due to the amount of Rs.937,486,487 as this adjustment has been made due to revision of gratuity allocation as per correct accounting policy from 31.12.2023. Account balances should be correctly identified and accounted for under the correct expenditure head.

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| (p) | The balance shown as profit for the year in the comparative cash flow statement as on 31 December 2022 was Rs. 484,219,604, but the profit shown in the comparative statement of comprehensive income was Rs.1,421,706,096. Accordingly, due to the value of Rs.937,486,492 which was the difference between the value shown as profit in the revised comprehensive income statement and the profit of the previous year, the accumulated fund debit balance of the reviewed year had decreased by that amount. | According to the comprehensive income statement prepared on 31.12.2022, a profit of Rs.484,219,601 was shown and the actual profit for the year 2022 is Rs.1,421,706,090 due to the adjustments made in relation to the year 2022 while preparing the financial statements for the year 2023. | Incorrect preparation of cash flow statements should be investigated and action to be taken against those responsible. |
| (q) | Although the amount of annual depreciation recognized against income in the income statement of the reviewed year was Rs.1,025,070,337, the amount of depreciation adjusted to the profit after tax in the cash flow statement prepared by the board in the indirect method was Rs.906,605,923, so the annual depreciation expense was adjusted less by Rs.118,464,414. | Although the amount of depreciation shown is Rs.1,025,070,337, of which the value of Rs.118,464,414 is related to the previous year and that the depreciated value related to the current year of Rs.906,605,923 has been included as depreciation in the cash flow statement. | Reasons for not adjusting depreciation correctly in the statement of cash flows should be investigated and the effect on cash and cash equivalents should be corrected. |
| (r) | In the year under review, the balance of Rs.892,145,839, which was the previous year's adjustment value, was incorrectly adjusted to the profit before tax in the cash flow statement of the year under review, so the net cash flow generated from operating activities was overstated. | The relevant error has occurred. The balance of the adjustment account relating to the previous year will be shown under changes in working capital. | Incorrect adjustments to profit before tax and adjustments to net cash flow should be examined and appropriate action to be taken. |
| (s) | During the year under review, the net cash flow generated from investing activities for the relevant period had increased by amounting Rs.6,544,593 which was the excess value of spare parts and fuel stock under cash flows generated from investing activities. | The relevant error has occurred. This error will be corrected during the preparation of cash flow statement in future years. | Excess inventory value should be properly accounted. |
| (t) | In relation to the arbitration awarded against case by Steel Impex and Industries Company | As indicated by the audit inquiry, The balance of | Stock balances should be |

- in the year 2019, a ten-member survey panel had conducted a survey of the goods in the Ekala warehouse, and according to the survey board report submitted on 04 November 2019, the value of the unusable and re-export stocks in the company's Ekala warehouse was 874,593 US dollars. The rupee value of those stocks was Rs.158,633,738 according to the dollar value of the stock valued at Rs.181.38 on that day, and the amount was not taken or disclosed in the accounts of the year under review.
- USD 874,593 includes USD 519,984 worth of goods to be re-exported. accurately disclosed in the accounts.
- (u) According to the daily stock and sales reports of the Ratmalana filling station, the stock value of fuel issued in the year 2023 was Rs.453,925,605, and only Rs.453,047,652 was accounted as fuel sales revenue in the financial statements of the year under reviewed. Due to this, the income of the year under reviewed was understated by Rs.877,953.
- There is a discrepancy between the total and the ledger account in the daily sales register maintained by Ratmalana Fuel Station. Fuel sales revenue should be properly identified and accounted.
- (v) The net amount of Rs.71,261,572 after deducting amortization for the year under review from the shorted deferred income or government grants to be accounted for as deferred income or government grants had not been accounted for under deferred income or government grants in the year under review.
- No such error has occurred. Relevant adjustments have been correctly made in the financial statements. Amortization should be correctly recognized and accounted for according to deferred income.
- (w) Due to the fact that the debit balance of Rs.24,993,653,069 to be accounted for as the accumulated fund balance at the end of the year 2022 in the comparative statement of financial position as on 31 December 2023 is shown as a debit balance of Rs.19,115,858,531 in the comparative statement presented with the accounts of the year under review 31 December 2023 and The Accumulated Funds Debit Balance shown on the opening date of the year-end statement of financial position was understated by Rs.5,877,794,538.
- The indicated accumulated profit balance of Rs.24,993,653,069 is the balance as on 31.12.2022 in the financial statements relating to the year 2022. The balance of the accumulated profit and loss account as on 31.12.2023 was Rs.19,115,858,531 due to the adjustments made in the year 2023 in relation to the years 2022 and earlier. The account balances should be identified correctly and the debit balance should be correctly accounted.

- (x) In the comparative comprehensive income statement 2022 submitted with the statement of comprehensive income for the year ended 31st December 2023, the over allocation of gratuity of Rs.500,687,941 which was accounted for as gratuity allocations as on 31st December 2021 was accounted under other comprehensive income. As a result, the total comprehensive income for the year ending 31 December 2022 was overstated by that amount, and the debit balance of the accumulated fund for the year under review was understated by that amount.
- From the year 2023, accounting work has been done for gratuity allocation as per Sri Lanka Accounting Standard No. (LKAS)19. Accordingly, calculations have been made for allocations for the gratuity fund using the equations (SRn and MS Rn) mentioned in the above Accounting Standard
- Incorrect adjustments should be investigated and properly accounted.
- (y) The General Treasury had allocated Rs.2,000 million for the year under review under capital expenditure through expenditure head number 117-2-27-1-2201 to the board for upgrading the bus fleet, institutional development and purchase of engine sets to increase capacity, Although the amount spent from that amount was Rs.916,360,000, in the accounts of the year ended 31 December 2023, it was accounted as Rs.881,620,000 only under the rehabilitation grants. Accordingly, an amount of Rs.34,740,000 had been under-accounted.
- This error occurred while preparing the financial reports for the year 2023. During the year 2023, the amount of Rs.34,740,000/- had been paid to the company for the repair of buses from Lakdiva Engineering Company has been directly received by the Ministry of Transport.
- Annual allocations should be properly managed and the money spent properly accounted.
- (z) The remaining funds in the loan series of 318 million US dollars for the purpose of purchasing 600 buses for SLTB under the expenditure head number 117-2-27-3-2101-0/17 which was allocated by the treasury for the reimbursement of local expenses, out of the 770 million spent for the year under review of Rs.690,774,614, and the amount accounted for as government grants for the purchase of buses was Rs.470,905,380. Thus, Rs. 219,869,234 had been under accounted as government grants.
- The amount of Rs.777 million and the amount of Rs. 690,774,614.00 spent during the year under review and the indicated amount of Rs.470,509,380.00 represents the purchase of 500 buses by SLTB. The value to be amortized in the year 2023 in relation to the government grant received too.
- Annual allocations should be properly managed and money spent should be properly amortized and accounted.
- (aa) For the year under review, the Treasury had not been accounted for Rs.270 million received from the funds allocated to the Board for reimbursement of school and higher education seasons tickets.
- The amount of Rs.270 million mentioned here is SLTB was not received and on the instructions of the General Treasury, it was transferred to the relevant expenditure head
- Provisions received from the government should be properly accounted for under the relevant

to cover the local expenditure head. expenditure required for the purchase of 500 buses.

1.5.4 Absence of written evidence for audit

	Subject	Amount (Rs.)	Audit Evidence not Provided	Management's Comments	Recommendati on
(a)	Un-operated accounts	1,290,782,782	Detailed schedules for balance confirmation.	Necessary documents to confirm the balances mentioned in this audit query will be provided in future audits.	The relevant balances should be correctly identified and necessary steps should be taken to keep the accounts.
(b)	Investments in Lanka Ashok Leyland Institute shares	23,406,250	Details of share certificates and detail for calculation of market value	Necessary documents to confirm the balances mentioned in this audit query will be provided in future audits.	The relevant balances should be correctly identified and necessary steps should be taken to keep the accounts.
(c)	Employee share capital	190,302,122	Schedules of share certificates and ownership certificate.	Necessary documents to confirm the balances mentioned in this audit query will be provided in future audits.	The relevant balances should be correctly identified and necessary steps should be taken to keep the accounts.
(d)	Cash in Transit.	51,291,031	Descriptive Schedules and Balance Confirmation Letters	Necessary documents to confirm the balances mentioned in this audit query will be provided in future audits.	The relevant balances should be correctly identified and necessary steps should be taken to keep the accounts.

1.5.5 Unauthorized transactions

Description of unauthorized transactions	Management's comments	Recommendation
The approval of the General Treasury or the Board of Directors was not obtained for the fund was established and, an amount of Rs.5,500 from the daily income of the buses purchased under the Indian loan grant was transferred to an account at the head office through the regional offices. Accordingly, as of 31 December of the year under review, the fund had grown up to Rs.443, 065,080, and it was not disclosed separately in the final accounts.	In the year 2023, 500 buses had given to the SLTB under Indian loan assistance to Payments for this purpose will be made by the Treasury and this fund has been raised in accordance with the instructions given in a discussion with the Treasury regarding the collective aspiration statement.	The establishment of funds should be formal, and the approval of the Cabinet of Ministers and the Treasury should be obtained for the same.

1.5.6 Un-Operated Accounts

Audit observation	Management's comments	Recommendation
As of 31 December 2023, there were 04 balances as Insurance Reserves, Workers' Compensation Reserves, Motor Transport Commissioner and Travel Ticket Funds with a value of Rs.6,221,004, which had not been operational for many years, as shown under the reserves in the final accounts of the year ended 31 December 2023.	Agreed. These balances are remained in the financial statements from the past.	These balances should be correctly identified and credited to the income.

1.5.7 Inappropriate evaluation or estimation

Audit Observation	Management's comments	Recommendation
(a) In the accounts for the year ended 31st December 2022, a provision was not made for bonus and in the revised statement of comparative financial position of the accounts prepared for the year under review, an amount of Rs.82,500,000 had shown as provision for bonus in the balance of accrued expenses as on 31st December 2022.	Bonus allocation as on 31.12.2022 has been shown as revised value 2022 under non-current liabilities in the financial statements for the year 2022.	Anadjustment made for the purpose of payment of bonus should be checked and appropriate action to be taken.

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| <p>(b) In relation to the production of buses, in the incentive system proposed by the Finance Division Circular No.03 of 2020, although incentives are paid for spare parts produced in parts, an incentive evaluation system determined at the time of production of the body part of a bus and compulsory monthly limits for production had not been mention in the incentives circular and Rs.19,247,995 had been paid as incentives during the year under review.</p> | <p>In the incentive system proposed by Circular No. 03 of 2020, the time period from the start of production of the body of a bus to completion have been fixed, and the time period up to delivery to the depot have not been fixed.</p> | <p>Incentive limit circular should be reviewed on the basis of production.</p> |
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1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

Audit Observation	Management's comments	Recommendation
<p>(a) An aggregating due amount of Rs.30,560,560 had not been accounted as receivable income, due from 01 September 2013 to 31 December 2016 amounting Rs.4,000,000 and, due from on 01 January 2017 to 08 February 2023 amounting Rs.26,560,560 each, and due to the fact that a building with an area of 8,228 square feet at the Central Bus Stand belonging to the Board was leased without annual renewal of the agreement and without formal assessment.</p>	<p>The relevant error has occurred. This will be investigated and corrected</p>	<p>Rent income due should be correctly recognized and taken as income.</p>
<p>(b) Although the money paid by the government for the reimbursement of Sisu Sariya, NisiSariya and Gami Sariya running activities should be paid according to the bills submitted by the Board to the National Transport Commission, as an outstanding balances as Rs.135,429,430, Rs.11,716,992 and Rs.112,949 respectively were payable by the Transport Commission to regional offices (excluding Ruhuna regional office) for the year 2023 for bus operational aggregating amount of Rs.147,259,371 had not accounted for as revenue receivable in the final accounts of the year ended 31 December 2023.</p>	<p>There is a difference between the amount requested and the amount paid during the payment after inspection by the National Transport Commission of the reports submitted by the depots to receive the money related to Sisusarya and Nisisarya by the Transport Commission.</p>	<p>Receivables should be recognized correctly and taken as income.</p>

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| (c) | During the period of Corvid, the buses of the board were used from the year 2020 to the year 2021 to transport the hospital staff of 09 regions, and an amount of Rs.151,585,764 should have been charged at the end of the reviewed year. Although 02 years had passed since the relevant service was provided, the board had failed to collect this amount on time. | The officials of the Ministry of Health have been informed in writing to recover the income due for the buses provided by SLTB for the Central Government Hospitals and Provincial Council Hospitals. | Arrangements should be made to collect staff transport charges promptly. |
| (d) | In the balance of Rs.6,168,805 which was accounted as the balance of conductor arrears, there is an amount of Rs.4,753,550 which has been outstanding for many years, and in that amount, an amount of Rs.328,242 which could not be recovered from the retired and expatriate persons there was a balance of Rs.6,363 whose details could not be found at Ratmalana depot. | I acknowledge that the relevant balances will continue to be reflected in the financial statements. Most of the conductors related to the money mentioned here have left the service, died and gone abroad without being informed, so it has not been possible to recover this money. | Check and action should be taken to collect outstanding balances. |
| (e) | In the balance of Rs.70,658,623 which was accounted as military rental income as on the last date of the year under review, there was a balance of Rs.64,907,313 which was older than 05 years, and provisions for impairment losses to recovering this balance of income shown in the books for a long time had been made. | The invoices related to the money due for the buses for military charter travel are prepared and forwarded to the relevant institutions, and the accounting activities are done at the head office. | Balances older than 05 years should be correctly identified and recovered. |
| (f) | In the balance of trade and other receivables of Rs.91,281,307 as on the end of the day for the year under reviewed, there is a balance of Rs.25,431,648 more than 10 years old, a balance of Rs.48,493,282 between 05 and 10 years and between 02 and 05 years of Rs. 2,550,136 and there was a balance of Rs.10,092,048 unrecognized by debtor age analysis. The provision had not been made for impairment losses during the year under review against those receivable balances. | These balances are historical balances in the financial records. There is no possibility to confirm these, and as per the instructions of the board of directors, the necessary information has been given to the internal audit department to give recommendations regarding the next steps to be taken regarding these balances. | Overdue balances due should be accurately identified and recovered or provision made for impairment losses. |

1.6.2 Accounts Payables

Audit Observation	Management's comments	Recommendation
(a) It is observed that, in the trade creditor balance included in the statement of financial position for the year ended 31 December 2023, as an erroneous account entry of outstanding credit balance of Rs.382,156,975 payable to a major tire supplier and two spare parts suppliers by 02 regional offices and 19 depots for more than 05 years had not been taken action to credit the income.	These balances are ongoing balances over many years and these balances arise due to accounting mistakes and errors.	For creditor balances, balance confirmation should be obtained and the balances should be recognized correctly and taken into income.
(b) In the balance payable of Rs.2,712,682,543 entered under current liabilities in the accounts of the year under review, less than Rs.109,516,143 payable to 05 institutions including third parties, societies and financial institutions and to 27 accounts of creditor balance amounting Rs.2,603,166,400 that has exceeded more than two years, and it has not been credited to the income as it is observed that it is an erroneous accounting record, and of these balances of Rs.1,078,029,266 were credit balances that have exceeded more than 10 years.	These balances are historical balances in the financial records. During the period from 2005 to 2017, due to the current financial crisis face by SLTB, in cases where it was not possible to pay the suppliers at the depot level, in order to maintain the continuity of the supply chain, the relevant vouchers were brought to the head office and the payments were made.	In order to verify whether these balances are actually payable balances, balance confirmations should be obtained and if there is an accounting error, arrangements should be made to include them in the income.

1.6.3 Advances

Audit observation	Management's comments	Recommendation
(a) In the balance of Rs.91,281,308 shown under trade and other debtors for the year under review, at the Colombo Regional Office, Kesbewa Depot, Central Bus Office and Meethotamulla Depot the total amount of Rs.18,314,257 which as Rs.721,611, Rs.27,762, Rs.17,399,614 and Rs.165,270 were respectively received by the depots and from other depots the total amount of Rs.28,810,742 was accounted as receivable from the loan money given and an amount of Rs.499,166 due from the Ministry of Defense to the Matale regional workshop and a balance of Rs.327,283 as payee tax	The sum of Rs.721,611/- belonging to the Colombo Regional Office mentioned here, the sum of Rs.27,762/- belonging to the Kesbewa Depot, the sum of Rs.165,270/- belonging to the Meethotamulla Depot and the sum of Rs.17,399,614/- mentioned as Central Bus Office The amount is also long term balances and	Efforts should be made to accurately identify the unrecognized balances, and provision should be made for impairment losses, and recovery of identified balances should be made

when earned in three depots were also observed and the said balances had not been arranged to recover. there is no possibility to trace any party or document related to these receivable balances. promptly.

- (b) An aggregating amount of Rs.1,738,585,736 had not been presented periodical analysis as accrued expenses of Rs.1,611,808,399 related to 21 accounts maintained by the head office and Rs.126,777,337 related to 04 accounts included in the trade and other payable balance of the financial statements for theyear under reviewed. This value includes some balances that have been ongoing for a long time, and some balances that have been charged to wages as third party payments. These account balances should be identified correctly and the balances should be confirmed and taken into income.

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

With reference to Laws, Rules, Regulations	Non-Compliance	Management's Comments	Recommendati on
(a) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i. Code of Financial Regulations 105	Although the maximum amount that can be recovered and the amount to be recovered should be determined in relation to damages, the cost of damaged motor vehicles worth Rs.1,041,195 had not been dealt with according to the actual financial regulations, and the buses damaged in the disturbing incident that occurred on 09 May2022 And regarding the aggregated amount of Rs.12,136,724 which was the value of the aggregated vehicle, the financial regulation arrangements were not done.	The amount of loss shown by the audit a sum of Rs.12,136,724 is correct. It has not been possible to recover this loss so far because the investigation related to the matter has not yet been completed	Immediate steps should be taken to recover damages.

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| ii. | Financial Regulations 177 | Notwithstanding that it shall be the duty of all collecting officers who receive any amount on behalf of the Government to remit daily or as early as possible the whole amount received by them, whether as part of the revenue of the State or otherwise, and to obtain receipts for the said amount. Inspection made In May 2023 it was observed that, the daily revenue of buses worth Rs.4,257,900 collected by Katubedda Luxury Tourist Transport Service was banked more than 1-3 days delay. | Way bills income from 01.05.2023 to 31.05.2023 is compared with the amount mentioned in the enquiry. The income received every day has been properly banked, so I accept the delay in banking the income of several buses for a day or two. | Arrangements should be made to account for the income received on a daily basis. |
| iii. | Financial Regulation 208 (d) | Without the prior approval of the Competent Accounting Officer, the allocations earmarked through the Annual Appropriation Act should have been used only for the purpose concerned, but the sum of Rs.34,740,000 provided for the rehabilitation of buses in the year under review had used for other purposes without formal approval. | As indicated in the audit inquiry, the amount of Rs.8,981,180/- given as compensation for shareholders from the national budget has not been used for any other purpose. | Care should be taken to utilize government funds only for the relevant purpose. |
| iv. | Financial Regulations 387 | The Paying officer should always check that his bank balance is sufficient for all payments made by cheques, and although overdrafts are prohibited from any | As indicated in the audit query, as on 31.12.2023, the amount of Rs.548,969,542/- is overdraft as per the cash book. The reason for such an overdraft is that the | Efforts should be made to maintain the overdraft in accordance with the regulations. |

government bank value of the cheques, account, the board paid for a bowser is maintained an overdraft close to Rs.2.5 of Rs.548,969,542 as on million, and fuel is 31st December 2023, taken in the hope of for which as overdraft covering the value of interest. An amount of the cheques, with the Rs.907,131 had been next day's income. paid during the year under review.

- v. Financial Regulation 395 (c) Every institution having a bank account should prepare bank reconciliation statements before the 15th of the following month regarding the transaction status at the end of each month, but in 10 current accounts with a debit balance of Rs.525,443,654 and a current account with an overdraft balance of Rs.9,794,929 Bank reconciliation statements had not submitted for audit .
- 02 accounts mentioned in the list are savings accounts, and there is no need to prepare bank reconciliation statements for those accounts.
- Outdatedly thebank reconciliations should be prepared and submitted for audit.
- vi. Financial Regulation 395 (d) According to the bank reconciliation statements prepared in December 2023 the details of cheques, issued but not presented for the payments of 05 depots and two fuel filling stations related to a sum of Rs.19,247,645had not been submitted to the audit.
- All units have been informed to include this information while submitting the notes related to the financial statements.
- Details of uncashed cheques, should be submitted for audit.
- vii. Financial Regulation 395(e) A list of deposited but unrealized cheques, should be submitted along with the bank
- All units have been informed to include this information while
- Details of cheques, deposited but not realized should

reconciliation statements prepared for the month of December 2023, but the details of the unrealized cheques, deposited in 03 depots and Ratmalana fuel filling station with a value of Rs.4,050,546 had not submitted to the audit.

submitting the notes related to the financial statements.

viii. Financial Regulation 396 (a) (i) and (iii)

As of 31 December 2023, the 79 no's cheques, submitted for payment of 07 depots with a value of Rs.2,363,351 whose validity period exceeded 06 months had not been processed as per the financial regulations.

In the unit of SLTB the details of the cheques, that are over 06 months old have been found and informed in writing to the concerned parties, and since the said cheques, have not been uncashed or requested to be re-issued, the said cheques, have been cancelled.

cheques, whose validity period is more than 06 months the action should be taken to income.

ix. Financial Regulations 450

Although, A monthly statement of expenditure for the previous month in respect of each program under its control shall be prepared in Treasury Form 170 before the 10th day of each month. each Accounting officer should submit to his own Accounting officer, but a monthly statement had not prepared and submitted regarding the expenditure of Rs.916,360,000 spent using the allocation of Rs.2,000 million given for capital expenditure for the year 2023.

The money allocated for the rehabilitation of buses by the national budget funds will be released to SLTB after the relevant buses are rehabilitated after the expenditure reports are certified by the Deputy General Manager (Industrial) and verified by the Internal Auditor and forwarded to the Treasury by Secretary of the Ministry.

Monthly statements of expenditure related to each amount allocated should be prepared and submitted.

x. Financial Regulations 486	It was observed that the two cheques, No. 144266 and No. 144253 with the value of Rs. 1,511,560 given by the company to the Highway Transport (Private) Company in the year 2023 by the Talangama Depot were dishonored, and action had not been made according to the financial regulations in this regard.	Financial Obligations and Responsibilities Subject to Cabinet Decision As it has to be borne by SLTB and assigned to recover SLTB. However, an excuse has been asked from the Assistant Manager Finance regarding the dishonored of the amount of Rs.1,511,560/- indicated by the audit inquiry.	Regarding dishonored cheques, should be dealt with according to financial regulations.
(b) Establishment code of the Democratic Socialist Republic of Sri Lanka Sections 6.1 and 6.3 of Chapter XXV	Two officers may be released on behalf of one trade union federation recognized by the Government for full-time work of the federation, that an officer so released shall be provided with free railway passes and free passes of the Central Transport Board to travel anywhere in the island. On contrary to that, 138 open free travel passes were issued for the year 2023 on behalf of 08 trade unions operating in the board, and the loss incurred by the board was Rs.43,046,993. An also, the loss occurred to the government by giving 22 train free travel passes obtained from the railway department to trade unions on exchange basis was Rs.25,294,500.	The trade union affairs of the Sri Lanka Transport Board have not been carried out according to the provisions of the establishment code. SLTB granting of free railway passes to trade unions recognized by Since many years, and Sri Lanka. Railway free passes have been given to recognized trade unions.	Actions should be taken to withdraw the passes issued irregularly or recover the losses.

- (c) Gratuity Act No. 12 of 1983 According to the provisions of the Act, the gratuity due to the employees who left the service should be paid within one month from the date of resignation, but due to the failure to pay the gratuity to the employees of Meethotamulla depot within one month from the date of resignation, an amount of Rs.459,729 had been paid as gratuity surcharge was incurred as of the audited date of 11 September 2023.
- This employee retired on 21.10.2017 and he was paid gratuity on 09.07.2018 and 17.01.2019. It has not been possible to pay the gratuity money within a month due to severe financial crisis.
- Gratuity surcharges should be recovered from the paid officers.

1.8 Cash Management

Audit observation	Management's comments	Recommendation
(a) As end of the day for the year under reviewed, it was observed that there was a balance of Rs.156,294,791 in 09 bank current accounts that were not used for regular operations, exceeding Rs.10 million, and the money was retained in the current accounts without earning any interest income.	Considering the 11 accounts indicated by this audit query, a savings account with a balance of Rs.511 million and an account with a balance of Rs.336 million are invested daily in the financial trading account and have received interest income for that.	Arrangements should be made to utilize current account balances in productive investment.
(b) As per the confirmation of bank balance as on 31 December 2023, in 24 savings accounts maintained by the board's depots and regional offices, as an amount of Rs.2,554,915,542 was held as the balance of more than Rs.10 million. But the action had not been taken to invest that amount in fixed deposits and earned high interest income.	The account maintained by the head office mentioned here is a market investment account; The money of all current accounts in all units of SLTB is remitted to this account daily.	Money should be retained in the accounts to the required extent and the remaining amount should be invested effectively.
(c) Although an amount of Rs.5,000,000 was credited to Ruhuna Regional Office Account No. 013100291922111 by	The money taken to get a bus to Tangalle depot was given to Ruhunu regional	Arrangements should be made to buy a new bus

Tangalle Depot on 01 December 2022 as advance for the purchase of a new bus to run on the expressway, the new bus or the amount received return to the depot had not been arranged by the regional office until 31 December 2023

office to pay their gratuity or repay the money after informing the government to retire all those who have completed 60 years in the year 2022 advance amount.

1.9 Non-Compliance with Tax Regulations

Audit observation	Management's comments	Recommendation
<p>(a) In the year under review, the board had been given 81 free train travel passes worth Rs.93,129,750, and if the free train passes were issued in the name of an individual or in cases where it was issued for the purpose of duty and not returned after the completion of duty, the person who received it shall be liable to tax as per the said circular. Subject to tax as per the value of Rs.95,813, which is the monthly value of the railway free pass, was quantified as employment benefits in the advance personal income tax calculation and the advance personal income tax was not calculated and collected. And since the board had distributed these passes informally and without keeping records, the passes had also been misused.</p>	<p>81 train free passes obtained from the railway department under the exchange basis have been issued to the recognized trade unions of the head office divisions. All these passes have been issued only in the name of the trade unions of the respective divisions and no train free travel passes will be issued to an individual in any case.</p>	<p>Employment benefits should be calculated and income tax charged as per the circular.</p>
<p>(b) Although the value of telephone allowances and free travel passes granted for personal use shall be included in the calculation of the amount to be included as benefits received or earned by such employee in computing the receipts and profits from the employment of an employee for personal income tax purposes An amount of Rs.835,621 had not remitted to the Inland Revenue Department as income tax in the year under review due to not correctly calculating the income subject to income tax and calculating the tax value for the staff of the board.</p>	<p>These Free Passes are issued for employees to report for duty by SLTB. And this facility has been provided to the employees since the past and it is a free pass as well as an identity card to verify the identity of the workplace.</p>	<p>Arrears of income tax should be collected promptly and remitted to the Inland Revenue Department.</p>

1.10 Information Technology (IT) General Controls

Audit observation	Management's comments	Recommendation
<p>Katubedda luxury tourist transport service buses equipped with 04 CCTV cameras in one bus Fuel Sensor with GPS Based Tracking Unit and a separate server computer with a second end (Backend) deployment system for luxury buses Supply, Installation and Commissioning of GPS Tracking and Commissioning of GPS Tracking and The tender for installation of 125 Videos Surveillance Solution was awarded to M/S ATSL International (Pvt) Ltd on 25 June 2018 for Rs.33,628,840.And,Rs.33,306,894 had been paid by 07 checks from 25 October 2018 to 09 December 2020 to the relevant supplier without fulfilling the relevant conditions as per the agreement. The project failed on the basis of the wrong management decisions taken by the board from the beginning of the tender till the end of its implementation, not installing the necessary server system and an operating station with computers, not providing the necessary internet facilities and the failure of the board to provide the amount of luxury buses required for the installation of the system. had been and even the opportunity for collect impairment related to breach of contract from the contractual contractor had been lost during the warranty period of 03 years. As of now Even the relevant equipment sets and components of these buses were missing, and as no operation could be carried out, the intended purpose of this procurement had not been fulfilled and financially the board had incurred a loss of Rs.33,306,894.</p>	<p>According to the agreement signed with the relevant institution by SLTB, payments were made for these equipment as per the signed agreement and payments were made to the supplier in relation to these equipment based on the assurance given by the Deputy General Manager (Operations) that the equipment are properly installed and that the equipment are in working condition. Apart from this, the final installments related to these payments have been made after obtaining a separate Board of Directors approval.</p>	<p>Needs should be properly identified through a preliminary feasibility study and proper procurement should be done through regular studies, and efforts should be made to compensate the loss incurred.</p>

2. Financial review

2.1 Financial results

The operating result of the year under reviewed was a profit of Rs.1,098, 934,630 and the corresponding profit of the previous year was Rs.1,922,737,782. Accordingly, a deterioration of Rs.823,803,152 was observed in the financial result. This decline was mainly due to the increase in operating expenses rather than the percentage increase in revenue.

2.2 Trend analysis of major revenue and expenditure items.

The major income and expenditure items of the year under review have been compared and analysed with the previous year and the percentages of increases and decreases are shown below.

Income/Expenditure	Year (2023) (Rs. Million.)	Year (2022) (Rs. Million.)	Percentage of increase (%)
Way bills income	56,861	54,957	3.46
Other income	15,300	11,393	34.29
Bus operating expenditure	18,610	18,060	3.05
Fuels and Lubricants	41,464	37,344	11.30
Other costs	9,723	6,790	43.20

2.2.1 It was observed that the growth of way bills income in the year under review was a minor percentage of about 3 percent. Other incomes had increased by 34 percent, and this was mainly due to the increase in the number of people availing transportation facilities through season tickets on a concessional basis in the increase in transportation fares.

2.2.2 The bus operating cost had also increased by 3 percent compared to the income, and it was not observed that there was an increase in the income compared to the cost.

2.2.3 The increase in the price of fuel and lubricants and the lack of distribution and consumption of fuel with formal internal control were the main reasons for the increase in the cost of fuel and lubricants by 1 percent.

2.2.4 Other direct costs had increased by 43 percent, mainly due to higher cost of spare parts against the dollar and uncontrolled purchase of spare parts.

2.3 Ratio analysis

The details of key ratios corresponding to the data in the Board's Statements of Accounts for the year under review and the previous year are given below.

Ratio	For the year ended 3131 December 2023	For the year ended December 2022
Net Profit Ratio	1.52%	0.73%
Net Profit Ratio (before grants and subsidies)	2.83%	(0.24%)
Current Asset Ratio	1.24:1	1.34:1
Quick Asset Ratio	0.94:1	1.03:1

According to current asset ratio and quick assets ratio, it was observed that current liabilities have increased more than current assets. During the inspection, it was observed that the main reason for the increase in current liabilities was the presence of unrecognized balances in the credit balances and incorrect accounting entries.

3 Operational review
3.1 Uneconomic Transaction

Audit Observations	Management's comments	Recommendation
<p>(a) 46 roads were identified as unsafe roads in the Kandy regional jurisdiction, and the documented number of kilometres required to run one bus each on those roads is 7,111.1 kilometres. The number of kilometres driven daily on those roads is 6,690.1 kilometres, and the amount of uneconomic kilometres calculated based on the number of kilometres driven is 3,243.2 kilometres. Thus, the daily lost income through 3,243.2 kilometres of uneconomic driving was Rs.5,804,679. The management had not taken into account the significant minimum criteria in the operation of these buses and to recover the revenue deficiency caused by these services and to maintain a public service.</p>	<p>The roads in the Kandy area are in a very difficult condition, which are considered to be unsafe roads. Therefore, while running the buses on those roads, those buses are constantly in disaster situations. But since the depots are not able to deploy another bus for those buses, the revenue is lost on certain days due to not being able to run the entire number of kilometres that should be run on uneconomical routes.</p>	<p>Actions should be taken to correct the revenue shortfall from these services taking into account the minimum criteria.</p>
<p>(b) In the balance of Rs.517,859,913 which was the balance of expenses to be paid as end of the day for the year under review, there was an allocation balance for gratuities of Rs.288,246,841 in Badulla depot since 2018, and it was observed that this allocation balance is an incorrect account balance in a situation where gratuity payments are being updated. There was no follow-up and settlement of this balance.</p>	<p>These balances are remained in the past balances in the financial records. During the period from 2005 to 2017, Due to the financial crisis remained in SLTB from the past, in cases where it was not possible to pay the suppliers at the depot level, in order to continue the supply chain, the relevant vouchers were brought to the head office and the payments were made.</p>	<p>In order to verify whether these balances are actually due balances, arrangements should be made to obtain confirmation of balances or write off if there is an accounting error.</p>

3.2 Identified losses

Audit monitoring	Management's comments	Recommendation
<p>(a) The board had procured the thermal paper ticket rolls used for the GPRS ticket machines used in the depots based on the requirement of 03 months and purchased them under the national competitive bidding process, and the purchased ticket rolls were purchased through the regional offices and delivered to the depots, and The procurement committee had ordered to distribute, Contrary to those instructions, 24 depots directly purchased 161,110 ticket rolls worth Rs.17,534,900 and purchased 364,400 ticket rolls from the relevant supplier at a price of Rs.108.84 at the market price of Rs.75 per ticket roll without revision, and Rs.19.64 each having paid more than Rs.7,156,816, The board incurred a loss of Rs.11,846,455 in the purchase of 603,180 ticket rolls at the pre-agreed price with the relevant supplier without price revision and 603,180 ticket rolls at the bid price of Rs.49.65 which had been submitted for the purchase of 1,000,000 ticket rolls. The board had incurred a financial loss of Rs. 42,859,040 as a whole due to the fact that the board had incurred a loss of Rs. 35,702,224 in the purchase from the previous bidder for Rs.108.84 without purchasing the same.</p> <p>Also, the width, roll diameter and quality weight of the ticket roll paper provided by the original supplier varied, and the tickets were not clearly printed due to insufficient carbon coating surface of the ticket paper.</p>	<p>The regionalist have been informed about the ticket roll quantities distributed by the Deputy General Manager (Running) for all the regional. If the ticket rolls have been purchased from unapproved suppliers as indicated by the audit, I would like to inform you that the same will be investigated and necessary disciplinary action will be taken.</p>	<p>Purchases should be made in accordance with the procurement guidelines and steps should be taken to prevent such actions against the procurement guidelines and to recover the losses incurred.</p>
<p>(b) Quotations were made for the purchase of cylinder heads required for the year 2022, and due to bidding by only one bidder, the tender board evaluated the bid and decided to accept the bid of Rs. 139,328,000 submitted by him as the substantial bidder. On the recommendation of the Secretary of the Tender Committee, the tender board shall proceed to include the amount of Rs.7,308,500 as social security</p>	<p>Ceylon Ashok Leyland Pvt. has submitted a request to provide this 2.5% social security contribution before giving the letter of offer. This social security contribution has been approved by the Departmental</p>	<p>The company should disclose the liability for applicable taxes while calling for quotations and the Tender Board should not interfere in the same.</p>

tax in the bid value without the request of the bidder, and that the procurement activities shall be commenced on 09 March 2022 and completed on 06 June 2023, Offer the said procurement on 18 October 2023, modify the second paragraph of Article 04 of the original agreement and change the conditions for charging late fees, extend the time to complete the supply of goods to 15 December 2023, Due to the failure of the supplier to supply the quantity of 204 cylinder heads as per the agreement by 15 December 2023, the procurement objective was not fulfilled and in the rejection of 22 cylinder boxes out of the 176 cylinder boxes provided, the Board incurred a financial loss of Rs.14,215,725 due to this procurement.

Procurement Committee No. 2022-76.

- (c) For re-build and pre-curing of the tires required for the board's fleet, after the year 2017 until 2022, continuous re-building and pre-curing were done from the selected suppliers in the year 2017, and according to the information presented based on the price fluctuation, on 20 July 2022 By the Cabinet decision dated, the prices had also been revised and approval had been obtained to purchase from the same suppliers. Provisions were made for the purchase of the total amount of tires required for the year 2023. Bids were invited for the purchase of 8,840 re-build tires and 34,856 pre-curing tires showing the tire requirement of 04 months for the year 2023, and out of 17 bidders, 14 bidders had been chosen as successful bidders. However, the technical evaluation committee's report given by the technical evaluation committee was postponed subject to the consideration of the facts and factors to be considered before inviting bids without approval by the procurement committee appointed by the cabinet. Due to this, the board had to pay an amount of Rs. 2,841,249,937 due to the fact that the tender for re-build tires and tire pre-curing was not offered on 31 December 2023 and
- According to the Procurement activities should be held on 11.11.2019 as planned with per Cabinet Paper No. 19/3139/123/084-I, until proper and pre-studies and tenders should be awarded to the bidders so as to bring maximum benefits to the organization. an also Action should be taken against the tender board which delayed the tenders and took advantage of the earlier suppliers.
- In this regard, after referring the technical evaluation committee report submitted by the technical evaluation committee to the Cabinet Standing Procurement Committee held on 06.07.2022, the said committee did not approve it and informed the Secretary of the Ministry of Transport to start new procurement activities.

the purchase was made at the price decided by the above-mentioned cabinet of Ministers, resulting in a financial loss of Rs.356,007,991 had been occurred.

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| (d) | On 13 September 2023, the cash balance of Moratuwa Depot was physically checked, and a cash deficiency of Rs.54,179 was revealed in the cash balance on that day. It was observed that this deficiency is a deficiency that is maintained on a daily basis, and the management had not investigated regarding that and take necessary measures. | Admits the deficiency revealed during the inspection on 13.09.2023 as indicated in the audit query. | Action should be taken against those responsible to recover the due amount. |
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3.3 Management Inefficiencies

Audit Observation	Management's comments	Recommendation
(a) During the year under review, the fuel cost for buses was Rs.40,415,452,419. Apart from the 500 newly added buses to the SLTB bus fleet, all other buses are more than 05 years old, and due to the weakness of the fuel pumps in these buses, it was observed that the fuel consumption was high. According to a physical sample test conducted in this regard, the mileage of a repaired fuel pump was in the range of 3.8 to 4.0 km and since every depot belonging to the board balances the fuel of buses in the range of 2.5 to 3.1 km per litre, While maintaining the fuel balance at 3.8 kilometres per litter, the amount of kilometre's driven per litter of fuel should increase by 0.7 percent i.e. 18 percent and the annual fuel cost could be reduced by Rs.7,274,781,435 and the management had not given attention on this regard.	Acknowledging that fuel efficiency can be improved by retrofitting fuel pumps to running low fuel efficiency buses, fuel pump repairs are currently carried out at maximum capacity in regional workshops.	The fuel pumps of the buses should be repaired and put into operation to reduce the cost of fuel.
(b) Matara Depot has charged premature failures of tires purchased by 03 companies in the year 2023 on premature failures of re-build tires and pre-curing tires as revealed during the inspection of a sample check done in July, August and September 2023. The management of the depot had	I accept that the fact shown by the audit is true.	Premature failures should be properly recorded and output recovered properly.

not been taken steps to collect the amount of Rs. 4,248,303 as rebate for premature failure.

- (c) The utilization percentage of a re-build tire at Hakmana Depot is 32 percent, while the utilization percentage of a pre-curing tire is 20.5 percent. Thus, in the year 2023, the average value of the used percentage of tire pre-curing and re-building is 26.25 percent. The value of re-build and pre-curing tires purchased by Hakmana Depot in the year 2023 was Rs.41,742,502 and the depot management had not taken steps to recover rebate for the unutilized amount of Rs.30,785,095 due to premature tire failure. The charge reports of the engineering department for the year 2023 have now been given to the warehouse and the total charge value for that year has been shown to be Rs.8,776,662. Out of that amount, an amount of Rs. 1,393,372 has been collected in instalments so far. Premature failures should be properly recorded and output recovered properly.
- (d) Regarding the issues of fuel, according to a memorandum of understanding with the Talangama depot manager and the Highway Transport (Private) Company, it was agreed to first place a deposit of Rs.500,000 and to issues fuel up to 80 percent of that deposit. According to the terms of the Memorandum of Understanding, the credit limit that could be given was Rs.400,000, exceeding that credit limit, fuel worth Rs.1,978,010 had been given to the said company by the depot management on credit basis, and the depot should have received Rs.2,378,010 had not been recovered. The 02 cheques, numbered 144266 and 144253 worth Rs.1,511,560/- given after the decision of the Cabinet to liquidate the express transport company were dishonoured. After that, the supply of diesel to the respective buses was suspended. A full investigation should be conducted in this regard and those responsible for the loss caused by abuse of power should be identified.
- (e) According to the decision and proceeding notes of the case bearing NWP/HCCA/KUR/106/2019/F, which had been resolved from the road accident compensation cases, Rs.3,965,000 was paid as compensation in the year 2023 due to the negligence of the driver, and the case number 1135/M held in the Wellawaya District Court, the driver pleaded guilty and was paid a compensation of Rs.2,125,000. Thus, the total amount of compensation paid by the Board is Rs.6,090,000 and since the Board did not insure the two buses that were the subject of this case, the loss could not be covered by the insurance. The amount of Rs.3,965,000 fixed by the decision of the case No. NWP/HCCA/KUR/106/2019/F was paid to the plaintiff on 23.08.2023. Also, in Wellawaya District Court case number 1135/M, evidence has been presented in the court that the plaintiff has suffered a permanent disability due to the vehicle accident. Action should be taken against those responsible for non-payment of compensation.

Accordingly, the fact that he has suffered a permanent disability is the basis for determining a higher amount of compensation.

3.4 Operational Inefficiencies

Audit Observation	Management's comments	Recommendation
(a) The fleet of Katubedda luxury tourist transport service consists of 02 buses belonging to the ND category with 51 seats and 67 buses belonging to the NB category with 39 seats, and the daily average income of Rs. 10,244,130 that was earned by deploying the buses as scheduled for the daily scheduled journeys. But according to the board's data, although the annual income that can be earned is Rs. 3,178 million, and the income earned by the Katubedda luxury tourism transport service was Rs.836.39 million in the year under reviewed. Thus, the income that could be earned was reduced by Rs.2,341.61 million.	When the month of September in the year of 2023, about 21 buses have been put into operation. All the remaining buses are parked inside the depot premises due to calamities. The main reason for the delay in the repair work of these buses was the inability to import spare parts required for U-tone buses from the year 2019.	The management should pay close attention to this and repair the buses and put them into operation to increase the revenue and cover the schedules to provide maximum service to the passengers.
(b) 41 long-distance services and 124 short-distance services to be run by depots controlled by Ruhuna regional office were stopped for a long time, therefore the daily loss of running kilometres is 43,245 and, due to not adding these 165 turns to the running. During the year 2023, the income lost by the board was Rs. 2,430,801,450.	The short distance services run by depots in Ruhunu area have identified the need for buses running on the basis of passenger demand and have been added to the bus service.	While buying and operating buses, the running activities should be planned so that the board does not incur losses and provide maximum service to the public.
(c) The depot in Ruhuna regional has 43 timetables out of the 60 timetables required for running on the Southern Expressway, and due to non-operation of 17 buses required to complete the remaining timetable requirement, a daily income of Rs. 2,200,000 was lost, and the total revenue lost to the board during the year 2023 was Rs.803 million.	There are only 13 buses in Ruhunu area. Those buses are more than 10 years old. Only 06 buses will be added from those buses. A portion of the remaining schedule requirements will be operated on an 85% / 15% basis and purchase	While buying and operating buses, the running activities should be planned so that the board does not incur losses and provide maximum service to the public.

of new luxury buses will be essential.

3.5 Disputed transactions

Audit Observation	Management's comments	Recommendation
<p>(a) Whereas the sanction limit for purchases by the Board's Tender Board as per Section 3.1 of the Procurement Guidelines 2006 was Rs.50million,On the contrary, the board made advance plans for the purchase of spare parts required for two months for Ashok Leyland and Tata type buses and called for quotations for the purchase of spare parts required for one year and Steel Impex and Industries (India) Company and a year later the second substantial bidder. Nimbus Automotive Lanka had offered to Supply continuously and those companies was provided spare parts worth Rs.1,942,320,776 as in the amount of Rs.1,583,900,400 and Rs.358,420,376, respectively, from the year 2011 to year 2015.The Deputy General Manager (Technical) of the Board had rejected the spare parts imported on 20 November 2012 as they were fake spare parts and the said spare parts could be purchased from the local market at a subsidized price. Having entered into an agreement with the concerned company beyond that limit, A copy of the trade agreement was forwarded to the Attorney General and the necessary approval was not obtained for the same and unfavourable terms and bid values were not included in the signed agreement and the cabinet approval was also not obtained for the relevant tender. Also according to clause 4.2 of the said agreement, 90 days credit relief period for the spare parts imported and While having to pay 5 percent interest for every month that passes without payment and in a situation where the board does not have financial stability, due to the fact that the first stock of spare parts brought to Sri</p>	<p>A full report on this incident is attached.</p>	<p>The procurement procedure shall be carried out subject to the approved limits of the Code of Procurement Guidelines, The goods to be purchased must be verified as technically suitable and paid an also Action should be taken against the officials who violated the procurement procedures.</p>

Lanka was of inferior quality, and even though a committee had recommended to reject the stock of spare parts and cancel the tender and go for a tender process again, non-essential spare parts had been purchased continuously for 04 years. According to the settlement dated 09 May 2019 in the arbitration case filled by the supplier company against the board due to non-updated payment for the spare parts that had been purchased, the board had paid the amount of Rs.664,722,000 related to the 3,722,104 American dollars that should have been paid by the board in the year 2023. And instead of cancelling the said tender after one year has passed and inviting a new tender The Board of Directors meeting on 08 June 2012 had decided to award the tender to the second substantial bidder, Nimbus Automotive Company, for supply of spare parts for 26 depots and knowing that it was incorrect and against the law to give him duty concession.

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| <p>(b) Utilizing the US\$ 20 million remaining from the loan amount received by the Government of Sri Lanka under the India Credit Agreement, removed from the board's bus fleet that were more than 15 years old to maintain the existing urban services without disruption.50-54 (2x2) high back seats 400 new buses and 32-35 (2x2) 100 new buses with high back seats to purchase altogether 500 buses on 23 May 2018 policy decision made by the Cabinet of Ministers had been started the procurement activities. Accordingly, while the relevant procurement documents and technical specifications have been prepared and all necessary activities to call for bids have been done, on 01 January2020, the then Minister of Transport changed the above Cabinet decision without any scientific basis and on the verbal instructions of the Minister, new 32-35 seater 500 mini buses and 100 new high-back buses with 42-45 seats were procured for purchase of 600 buses.</p> | <p>The Cabinet of Ministers has approved the proposal to purchase buses submitted on 01.01.2020 by changing the decision of the Cabinet of Ministers dated 05.06.2018. Ashok Leyland has informed that the technical faults will be fixed during the warranty period.</p> | <p>A bus service should be introduced in which the passengers can travel comfortably while making decisions and purchasing buses so that the basic needs are properly identified and the public needs can be fulfilled efficiently and comfortably according to the financial feasibility.</p> |
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However, as per the Cabinet decision given on 03 January 2023, it was decided to purchase 500 new Ashok Leyland Lynx buses with 32 seats from Ashok Leyland Limited India the procurement had been awarded at a cost of USD 26,662.50 per bus for a total amount of USD 13,311,250. The total amount paid for these buses is Rs.5,513 million, and the value of one bus is Rs.11.02 million. The estimated cost of a 32-35 seater bus is Rs.5 million. Thus, Rs.3,010million was over paid by exceeding the estimated price by Rs.6.02 million for a 32-seater bus.

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| (c) | A cheque worth Rs.2,237,831 was deposited in the current account number 003100101199662 maintained by the Kandy South Depot in the People's Bank on 01 January 2014, but in the bank statement prepared on 31 December 2023, the said check was shown as a deposited but unrealized cheque, and although the bank statements related to the bank account were obtained on 12 October 2022 at a cost of Rs.100,000 in order to settle it any the necessary information had not been submitted to audit to satisfied that the relevant check was not planned to be misused in the failure of the finance department to take proper steps regarding the check. was subjected to inspection. | This balance is a balance from the past. Inquiries have been made about this balance before but no document about this balance has been found. | This should be checked immediately and necessary measures should be taken. |
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3.6 Underutilization of funds

Audit Observation	Management's comments	Recommendation
Old engine sets, old gear boxes, old fuel pumps, old fuel injectors, Cylinder heads, old stater motors and old alternator which are sent by depots in Yatinuwara Regional Workshop using treasury and SLTB provisions to maintain the fleet in running condition Rs.396.60 million have been set aside for the year 2023 to repair and release these items to the buses and a production target of 3,480 units had been given, but the quantity produced was 3,420 units only. The	Estimated cost of major spare parts of engine, gearbox, bus body, fuel pump, fuel injectors, cylinder head, alternator and starter motor for complete overhaul. Meanwhile, this fact affects the production cost of the repaired	Without giving priority to purchases, spare parts and accessories should be repaired in the workshop, and the cost should be reduced and public service should be

amount spent for that was Rs.268.18 million, and it was observed that the utilization percentage was 67 percent. Accordingly the Board had failed to complete the desired targets during the year under review.

devices to be less than the estimated cost. provided by repairing and putting the equipment into operation.

3.7 Stock, Property, Plant and Equipment

Audit Observation	Management's comments	Recommendation
(a) According to the settlement order dated 09 May 2019, the stock items related to 20 receipt orders worth Rs.75,384,696 paid to Steel Impex and Industries against unpaid bills were taken into the warehouse books, and the old buses of Tata type and Leyland type that use those spare parts, were currently out of service, idle and had not been taken action to disposed.	At present, the arbitration proceedings related to this have been completed and the related stocks are in SLTB taking stock. The items available in the stocks so obtained are in SLTB. If they can be used for the fleet, they will be identified and given to the depot, and if the stocks cannot be used, the related disposal activities will be implemented in the future.	The value of the stock items should be assessed and taken into stock and the unused stock should be given to the necessary depots or disposed.
(b) Although the foundation stone was laid on 11 September 2021 to start a depot on a land belonging to the Laggala Mahaweli Development Authority without formal acquisition, the land was not taken over until November 2023 and the depot was also not constructed. 03 air-conditioned office buses were created by using 03 buses removed from running to provide office facilities for the operation department, finance department and engineering department temporarily required for the operation of the depot until the buildings required for the depot were constructed on this land. An amount of Rs.1,632,440 had been spent for that, but the buses were used for office work in the new depot and the depot was not started.	For Laggala Pallegama Land Deed preparation, the necessary surveying work has been done and the survey fees to be done by SLTB have been paid to identify the required land size, and the documents related to taking over the SLTB land for the depot have been handed over to the Resident Engineer of Mahaweli Authority. By signing those documents so far not delivered to the SLTB.	The loss incurred through these activities without prior planning and feasibility study should be recovered from the concerned responsible parties.

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| (c) | About 83 types of spare parts used for Tata type buses worth Rs.518,408 were in the warehouse of Moratuwa depot, and although it was informed that it is not possible to use these spare parts because the depot does not have Tata type buses, the action had not been taken to disposed. There were also 34 unassessed Isuzu spare parts in the warehouse, and that stock had not been assessed and taken into stock. | As mentioned in the audit inquiry, although it has been mentioned that there are no Tata type buses at the Moratuwa depot, 03 Tata type buses are currently in operation. Also, 34 types of Isuzu bus spare parts are available at the depot and can be provided to other depots based on their requirements. | The value of the stock items should be assessed and taken into stock and the unused stock should be given to the necessary depots or disposed. |
| (d) | According to the goods verification report conducted at the end of the year 2023 in the board's Ekala main warehouse, 10,039 spare parts with a value of Rs. 7,186,995 in relation to 50 types of spare parts were reported to be currently unusable goods but had not been disposed. | Based on the report SLTB. All the depots have been informed that if there are any spare parts required by the depots from the items contained in those documents, arrangements can be made to provide those spare parts to the respective depots. | The value of stock items should be assessed and taken into stock and the unused stock should be given to the necessary depots or disposed. |
| (e) | A slow-moving stock item, Leyland 400 Injector Pump Repair Kit, had a balance of 504 in stock on 28 November 2011. On 22 November 2011,600 Repair Kits worth Rs.9,164,064 at a price of Rs.15,273.44 one each had been purchased by Steel Impex & Industries. The balance of this stock was 267 repair kits on 20 December 2022, and after that date, no repair kit was issued until 30 January 2024. Purchased repair kits were issued to local workshops and depots to demonstrate that they were a usable item. According to the confirmation obtained by the audit of these stocks, it was observed that there were 57 unused repair kits worth Rs.870,586 in Gingthota workshop alone.The value of these unused stock items was Rs.4,948,595. | As stated in the inquiry, on 22.11.2021, one of Steel Impex and Industries had not purchased 600 repair kits worth Rs.15,273.44 each at a value of Rs.9,164,064/-. During this accounting period, no any orders have been placed with Steel Impex & Industries. | The date should be revised as to 22/11/2011 and arrangements should be made to assess the value of the stock items and take stock, and give or dispose of the unused stock to the required depots. |

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| (f) | Assets with a value of Rs.26,344,359, which were included in 49 cases in the schedule of other assets presented, were not specifically identified and the management had not work to identify them correctly and prevent the possibility of the assets being misused. | All the assets purchased from the year 2017 have been correctly identified and the relevant information included in the asset register. | Assets and Property Plant and Equipment must be properly identified and accounted. |
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3.8 Procurement Management

Audit Observation	Management's comments	Recommendation
(a) Rs.10,582,494 had been spent for the purchase of spare parts in the months of June, July and August 2023 for the repair of buses at Avissawella Depot. For domestic emergency purchases, the depot management was given an advance limit to purchase spare parts subject to a maximum of Rs.50,000, and due to the fact that the limit was not specified for how long and on what day for the purchase of spare parts items, and spare parts worth Rs.691,470 were purchased only on 02 June 2023 by submitting payment vouchers subject to the limit of Rs.50,000 per one payment voucher. Apart from that, according to Section 3.2 of the National Procurement Guidelines, spare parts purchases that should have been made through national competitive bidding were also made as emergency purchases under the shopping method, and required for Hino buses in the months of June and July 2023 under inspection, one turbocharger worth Rs.75,000 in the market was bought for Rs.120,000 each and 03 turbochargers for Rs.360,000 by paying more than Rs.135,000.	In accordance with Section 3.2 of the National Procurement Guidelines, procurement activities are carried out according to the approved procurement plan for that year for the needs identified by the Engineering Division for that year under the national competitive bidding method by the SLTB. The items that can be obtained through approved procurement, the price of the organization to obtain those items and the validity period of the procurement will be notified by the tender section of the head office to all regional managers, regional engineers and regional finance managers and purchases will be made in accordance with it.	This should be checked and necessary measures should be taken to avoid the possibility of such irregularities and abuses.
(b) The civil engineering department estimated the cost of Rs. 2,166,308 for the civil works including tiling of 1,410 square feet of mobile inspection section at the head office, and according to section 3.4 of the procurement guidelines, the necessary	For the year 2023, 08 institutions have been registered for civil engineering work. Quotations were made from the above suppliers	While making the purchase under the shopping method, one should act prudently and avoid such loss incidents.

goods and raw materials should be purchased under the shopping method, but they were purchased for Rs. 873,563 worth goods through fake quotations. While the market prices of 08 items included in this purchase were available at low prices from suppliers around the head office, the relevant materials were purchased from Piliyandala area and an additional amount of Rs.302,940 was paid for those materials and goods. Thus, the board had incurred a financial loss of Rs.302,940.

- (c) While the technical evaluation committee decided that the tender submitted for the purchase of new tires required to maintain the fleet in running condition for the year 2023 did not comply with the technical specifications, on the recommendations given by the Cabinet appointed Procurement Committee, before the tender was awarded to the relevant company i.e. on 10 July 2023, purchase order had given for new tires 2,660. The tires received as per the order had been released to the depots for use despite the fact that the tire inspection officers had declared and denied that they were not technically suitable. After that, said tender was awarded to the concerned supplier, and 5,842 new tires purchased from the said company for Rs.355,725,222 were received by Ekala warehouse by 31 January 2024. Out of this stock of tires, 516 tires were issued to Gampaha district in the year 2023, out of which 43 tires with a value of Rs.2,618,313 i.e. 08 percent had failed prematurely and therefore did not follow the provisions of section 5.6 of the Government Procurement Guidelines Code.
- Although the Technical Procurement Evaluation Committee should be done as per government purchase of tires from procurement Ferentino Tire Company guidelines and tires on the basis of written information to see how the technically submitted by the bid sheet and the suitable and release specifications given by the selected bidder for use. match the specifications presented in the bid sheet for the purchase of tires, a physical inspection as per the Board's practices, Only the tires that meet specifications will be accepted.
- (d) An amount of Rs. 1,283 million had been allocated for the purchase of grease and lubricants required for the year 2023 for the board's bus fleet, and the procurement process for that was started on 14 October 2022 and the tender was awarded and purchases should have made by 23 May
- According to the Efforts should be procurement schedule made to curb (PTS), the technical irregular purchases by expediting evaluation committee by procurement as per report was scheduled to be provided before the procurement guidelines within 10.04.2023, but it could

2023. But the tender with a financial value of Rs. 681,999,047 for the purchase of only grease and lubricants required for 04 months was offered to the suppliers on 22 December 2023. That is 07 months after the due date. For this purchase, the Cabinet of Ministers took a decision dated 14 November 2022 and ordered to expedite the procurement activities, but in not proceeding accordingly and delaying the tender, the Board had to be spent a sum of Rs. 1,049,288,879 for the grease and lubricants required for the year under review to maintain the bus fleet in running condition, and there was a violation of Section 3.2 of the Procurement Guidelines Code.

be provided on the fixed period of 25.08.2023. Then the Standing Cabinet Procurement Committee (SCAPC) committee held on 09.10.2023 approved the recommendations of the Technical Evaluation Committee and according to the decision of the Cabinet held on 11.12.2023, the tender was awarded to 02 institutions on 22.12.2023.

- (e) The procurement of Ashok Leyland chassis spare parts for the board's bus fleet for the year 2023 should have been done by the Cabinet Procurement Committee, which should have started on 14 October 2022 and the contract should have been awarded on 03 May 2023. The procurement of Ashok Leyland engine and gearbox spare parts was to start on 12 October 2022 through the Ministry Procurement Committee and the contract was to be awarded on 02 April 2023. This Although the Cabinet had given a policy decision on 14 November 2022 to expedite these purchases, the tender had been awarded for the purchase of Ashok Leyland chassis spare parts was delayed by 03 months and 16 days, and the tender for the purchase of Ashok Leyland engines and gearboxes was delayed by 08 months and 03 days. The tender board decided that 07 selected bidders for the bids received for 533 items of Ashok Leyland engine and gearbox spare parts should procure 168 items out of which and for the remaining 365 items without re-quoting, the procurement should be done as per the conditions of procurement guidelines 2006. The annual requirement of 240 Ashok Leyland chassis spare parts was 74,256, and according to

Although the Procurement Technology Evaluation Committee report was to be given on 10.04.2023, it was given to the Ministry on 08.05.2023. In the SCAPC Committee meeting held on 16.05.2023, it was decided to award the procurement to 05 institutions which submitted the minimum substantive bids recommended by the TEC. Accordingly, offer letters have been issued to those 05 institutions on 15.09.2023. In the committee meeting of Ministry Procurement Committee (MPC) held on 06.09.2023, it was decided to award the procurement to 06 institutions which submitted the lowest substantive bids recommended by TEC. On 05.12.2023, have

Procurement guidelines should be followed and related procurements should be completed in due time and necessary support should be provided to eliminate the shortage of spare parts and deploy the buses as scheduled.

the quotation called for items 24,752 and decided required amount of 04 months the tender was awarded to 05 bidders for 180 spare parts worth Rs.88, 099,774 and there was no offer for the remaining 60 items, the Tender Board had informed that those items should be procured as per the order dated 25 March 2020 issued as amendment³⁵ to Clause 2.14.1 of the 2006 Procurement Guidelines 2006. However, in the year 2023, no spare parts were received through the award of these two tenders, and the amount of Rs.2, 032,617,464 had spent during the year under review for the spare parts purchased by depots and regional offices under shopping method for control account number W-5.

been received the Chairman Of SLTB and accordingly, awarding letters have been issued to the said 06 institutions on 14.12.2023.

3.9 Visible financial irregularities

Audit Observation	Management's comments	Recommendation
(a) 04 travel passes with a value of Rs.1,247,739 that were issued to the trade unions were printed on 01 June 2023, but the applications for the printing of the travel passes, receipts of payment and order for the printing of the said passes were not received, and The documents confirming that approval and acceptance of the passes by the respective trade unions were not submitted to the audit. Accordingly, the necessary information was not submitted to the audit to be satisfied that the travel passes were not misused.	Answer had not given.	By examined, Action should be taken against those responsible.
(b) During the fuel crisis, the Akurassa depot had provided an aggregating amount 1,496 litter of fuel on 400 litters, 620 litters and 476 litters of fuel to the former Chairman of SLTB on 03 occasions in the form of Mu.10 Nos. 015287, 006473 and 006419 respectively to other vehicles that are not official vehicles, and It was recorded in the fuel filling sheet (ER-08) that the said fuel was issued to the Chairman. Accordingly,	As mentioned here Fuel has been given to the former chairman of SLTB. Fuel is thus provided by charging money as specified herein.	An investigation should be conducted to recover the loss and disciplinary action should be taken against the parties involved.

the necessary information was not submitted to the audit to be satisfied that the amount of 1,496 liters of fuel with a value of Rs. 620,840 issued to the former chairman of SLTB was not misused.

3.10 Human Resource Management

Audit Observation	Management's comments	Recommendation
(a) According to the management service circular No. 30 dated 22 September 2006 and No. 02/2016 dated 25 April 2016, the recruitment and promotion procedure was not prepared for the staff officers in grades I grade up to VIIA grade, which are positions above the primary level, and according to the said circular, the staff had not been absorbed to the relevant post and they have been paid salaries and allowances since 2016 and in the year 2023, Rs. 1,589,164,734 was erroneously paid as salaries and allowances to the said staff.	For higher officers of the primary category (I Grade to VIII B Grade) Based on the letter issued by the Management Services Department No. DMS/1622/Vol.III dated 28.09.2022 recommending the new pay structure as per the provisions of the Management Services Circular No. 02/2016 from the date of 01.03.2023 the Staff Salaried had been converted further the recruitment and promotion procedure for staff had been approved on 14.02.2024.	Absorption should be made according to the system of recruitment and over payment should be recovered.
(b) Excluding the overtime expenses of drivers and conductors, the overtime expenses of offices and other workplaces in the year	further from the date and 01.03.2023 I note that only conversion of staff salaries was done for SLTB officers which payment was made on the approval of Management Services Department and no any payment was made erroneously.	Accept overtime increases of approximately 33% more Actions should be taken to control overtime through

under reviewed was Rs.896 million, compared to the overtime expenses of Rs.671 million in the year 2022, the overtime expenses increased by Rs. 225 million i.e. 33 percent. And had not being given duty lists to the concerned employees about the work to be performed during normal duty hours, confirming arrival and departure through fingerprint machines and not calculating overtime accordingly, and engaging in overtime duties for more than two consecutive days with day and night without control may course for abnormal growth of overtime.

in 2023 than in 2022. Overtime is provided in two parts, schedule and unscheduled in SLTB. In particular, scheduled overtime cannot be controlled.

self-control mechanisms and necessary actions should be taken to monitor overtime.

4. Accountability and good governance
4.1 Annual report

Audit Observation

Management's comments

Recommendation

According to Section 15 of the National Audit Act No. 19 of 2018, a draft of the Board's annual report for the year 2023 was not submitted to the Auditor General.

For the year 2023 The annual report of SLTB is being drafted and I would like to inform you that the relevant draft will be submitted to you as soon as it is completed.

The annual report should be submitted promptly before the due dates.

4.2 Cooperate Plan

Audit Observation

Management's comments

Recommendation

Public Enterprises Circular No. 01/2021 dated 16 November 2021, The strategic plan to be prepared for the next 05 years predicted in connection with the annual action plan and the annual budget of the board was not prepared according to the circular provisions.

SLTB Prepares annual action plan, annual budget document.

As per the circular annual action plan budget and strategic plan should be prepared.

4.3 Annual Action Plan

Audit Observation	Management's comments	Recommendation
Section 5.2 of Public Enterprises Circular PED/12 dated 02 June 2003, While preparing the action plan, the budgeted income and expenditure statement, budgeted balance sheet, budgeted cash flow statement and budgeted capital expenditure should have been presented, but the board had not acted accordingly.	Budgeted Income Expenditure Statements and Budgeted Capital Expenditures have been prepared and approved by the Board of Directors.	The action plan should be prepared as per the circular.

4.4 Budget control

Audit Observation	Management's comments	Recommendation
According to the main procurement plan for the year 2023, 53 procurement activities worth Rs.134,341 million had been planned, but 11 procurement activities worth Rs.74,662 million had not been implemented in the year 2023. Accordingly, the budget was not used as an effective control tool as only 44.42 percent of the procurement expenditure included in the 2023 budget was utilized.	After submitting some procurement to the Small Scale Procurement Committee, the Procurement Committee advised to start re-procurement for the respective procurements as the market prices are very high.	Procurement has not been done according to the annual procurement plan, and prudence should be exercised in preparing the budget.

4.5 Sustainable Development Goals

Audit Observation	Management's comments	Recommendation
According to the 2030 Agenda for Sustainable Development of the United Nations, the board had not identified the objective relevant to the implementation of that agenda and secured the necessary resources and capacities for that, and the performance indicators used by the board to check the achievement of the sustainable development goals (KPI's) had not identified.	No answers provided	According to the 2030 Agenda for Sustainable Development of the United Nations, the board should prepare and approve the identified key performance indicators (KPI).