Sri Lanka Transport Board – 2012

The audit of financial statements of the Sri Lanka Transport Board for the year ended 31 December 2012, comprising the Statement of financial position as at 31 December 2012 and the Comprehensive Income Statement, Statement of changes in equity and Cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 24 of the Sri Lanka Transport Board Act, No. 27 of 2005. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act, appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal controls as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards, consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in Paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the Statement of financial position, Comprehensive income statement, Statement of changes in equity and Cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in Paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Going Concern of the Board

The net assets had eroded in a great extent and those had a negative value of Rs.25,538,505,650 by the end of the year under review as the Board had incurred losses continuously. As a result, there was an uncertainty in the going concern of the Board without other financial assistance of the Treasury or Government.

2.2.2 Accounting Standards

The following non-compliances with Sri Lanka Accounting Standards were observed in audit.

(a) Sri Lanka Accounting Standard 01

(i) The Comprehensive Income Statement had not been prepared based on the format introduced by the standard.

(ii) Prior year information had not been included in the Cash flow statement.

(iii) Although every entry stated in the Statement of changes in equity should be disclosed in details, no action had been taken complying with it.

(iv) The Board prepares its accounts on historical cost basis according to the Accounting Policies. Although the investment, costing Rs.250,000 made in shares in a company had been measured at fair value and shown in the financial statements, it had not been disclosed in the notes to accounts.

(v) If any change in the capital items relating to the preceding year made, such changes should be disclosed in the financial statements.

Nevertheless, the change of Rs.637.85 million made to the Share Capital of Treasury during the year under review had not been disclosed.

(b) Sri Lanka Accounting Standard 07

(i) Even though the balance of savings accounts totalling Rs.141.13 million as at the end of the year under review should be shown as cash and cash equivalents in the financial statements, it had been shown as loans and receivables under investments.

(ii) Leasing interests of Rs.293.85 million and other finance cost of Rs.145.61 million which should have been shown as financing activities in the Cash flow statement, had been shown under operating activities and the Government grants of Rs.511.33 million had been shown under the investment activities.

(c) Sri Lanka Accounting Standard 08

The following prior period adjustments had been made during the year under review, without complying with the requirements and disclosures as per the standard.

(i) The prior year adjustment of Rs.1,189.78 million stated in the Statement of changes in equity.

(ii) Changes of cost of property, plant and equipment amounting to Rs.73.38 million related to the preceding year and the adjustments made to the provisions of Accumulated depreciation amounting Rs.182.03 million.

(iii) Adjustment of Rs.206.76 million made for the Government grants relating to the preceding year.

(iv) Capitalization of 06 motor vehicles valued at Rs.24.4 million purchased by the Board in the preceding year.

(v) Adjustments made during the year under review in respect of 12 buses valued at Rs.14.92 million which had been identified as received on government grants during the preceding year.

(d) Sri Lanka Accounting Standard 16

(i) The Board had adopted the Policy that no depreciation in the year of purchase of assets and full depreciation in the year of disposal. Even though the depreciation of asset should be systematically made beginning at the event of making the asset available for use and all over its useful life, provision for depreciation had not been made for the property plant and equipment purchased at a cost of Rs.1,264.25 million during the year under review.

(ii) Carrying value of property plant and equipment in the preceding year had not been correctly disclosed in the financial statements.

(e) Sri Lanka Accounting Standard – 17

In disclosing lease liability in the financial statements, lower of the minimum fair value of those leased assets or the present value of lease instalments payable should be disclosed. However the Board had measured the lease liability at cost and the interest thereon at Sum of digit method and shown the lease liability as Rs.1066.12 million.

(ii) The following disclosures in respect of leases had not been made.

i. The net carrying value at the end of the relevant period for each class of lease assets.
ii. A reconciliation between the minimum lease instalment at the end of the period and its present value.
iii. The total of future lease instalments at the end of the accounting period, and their present value for each of the following periods.
    - Not less than one year

- More than one year and less than 05 years
- More than 05 years

(f) Sri Lanka Accounting Standard – 18

Even though the interest on fixed deposits should be calculated on the Effective interest rate method, interest had been calculated and brought to account on cash basis contrary to the accrual concept adopted by the Board.

(g) Sri Lanka Accounting Standard – 19

Although the projected unit credit method, authorised by the Institute of Chartered Accountants of Sri Lanka for small and medium scale business Institutions, shall be used in measuring the provision of gratuity allowances, the Board had measured it based on the average salary scales of each post and the records to show the amount of gratuity payable to each employee had not been maintained by the Board. Therefore, the Board had not planned a proper methodology to minimize the future risk.

(h) Sri Lanka Accounting Standard – 37

Even though a Provision for contingent liabilities or disclosure should be made in the financial statements, a provision or disclosure in respect of the compensation of Rs.11.08 million claimed relating to 06 Court cases, out of 37 cases filed in Courts against the Board, had not been made in the financial statements.

(i) Sri Lanka Accounting Standard – 39

(i) Even though loans, and receivable balances should be measured on Amortized Cost method and shown in the financial statements, the Board had measured the investment balances on cost and shown in the financial statements.

(ii) The balance of trade and sundry debtors due from 300 Depots and regional offices had been amounted to Rs.57.66 million and age analysis had been received only from 10 Depots and Regional Offices therein. Although about 50 per cent of those loan balances had been older than one year, the Board had not made any examination on the recoverability of those debts and a provision for doubtful debts for the balances of which the recoverability remained doubtful had not been made.

2.2.3 Accounting Deficiencies

The following observations are made.

(a) The value of three single cabs amounting to Rs.4.95 million received to the Board during the year under review had not been brought to accounts and the expenditure of Rs.1.48 million in capital nature incurred on these vehicles had been written off as revenue expenditure.

(b) The stock of fuel valued at Rs.3.98 million sold by the Board had been further shown, in the accounts as stock in transit.

(c) A credit balance of Rs.2.99 million in the fuel stock in transit account relating to the North Western Retail Shop had been shown. Even though this was a result of an accounting error, action had not been taken to identify and rectify such lapse.

(d) As there was no proper control system in respect of accounting the condemnation of buses, the cost of a condemned bus and its accumulated depreciation had been transferred to the condemned bus account and to the accumulated depreciation account of condemned buses in several occasions. According to the test check, the cost and the accumulated depreciation excessively transferred in respect of 4 such buses sold during the year under review had been Rs.5.17 million and Rs.5.16 million respectively.

(e) A sum of Rs.12.5 million deducted from salaries of the employees for the Sports Fund had been entered as a payable amount under current liabilities instead of being posted to the Sports Fund Account.

(f) The manufacturing loss of the workshops belonging to the Board for the year under review included in the comprehensive income statement amounted to Rs.187.56 million and the total revenue received from depots, as per the notes to accounts, had been amounted to Rs.236.03 million. Action had not been taken to set off such inter transactions in preparing the consolidated accounts and to show only the expenditure, which exceeded the income, as Regional workshop expenditure in the financial statements.

(g) Even though the Confidence Security Insurance Fund investments of Rs.5,318,179 had been shown as assets in the accounts, the balance of the Confidence Security Insurance Fund account relating thereto amounted to Rs.86,993.

(h) Rates payable and gratuity allowances payable as at the end of the year under review amounting to Rs.25.83 million and Rs.10.69 million respectively had not been brought to accounts.

(i) Instead of accounting the loan instalments of buses, bank charges, overdraft interest and cheque book charges etc. totalling Rs.3.17 million directly charged by the Bank and under Standing Orders had been shown in the Bank Reconciliation Statement.

(j) In accounting the value of 10 Super luxury buses, purchased on lease during the year under review for Rs.98 million, it had been stated as Rs.97 million, the balance of the Account of buses had been understated by Rs. 1 million.

(k) Closing stock of Rs.4.0 million in the Regional Workshops had not been brought to accounts.

(l) In taking over the fixed assets of 11 integrated Cluster bus companies and 11 Regional Transport Boards at the time of reestablishment of Sri Lanka Transport Board in the year 2005, depreciated value of those assets valued at Rs.3,511.34 million without being physically verified and revalued, current assets valued at Rs.217.69 million and current liabilities of Rs.369.04 million had been acquired at book values. These assets had not been revalued even by the end of the year under review and as such the fair value of fixed assets shown in the Statement of financial position had not been disclosed in Accounts.

(m) A sum of Rs. 31.66 million, 5 per cent on the total income of Travel pass income, Army trip income, police warrants amounting to Rs.633.11 million received in full at the event of preparing financial statements had been provided as doubtful debts.

2.2.4 Dormant Balances

The following observations are made.

(a) Details, required to audit the total debit balances of Rs.6,689.6 million and the total credit balances of Rs.24,010.39 million in number of accounts which had not been identified and unreconciled for a long period due to lack of supervision and weak internal control, had not been made available for audit. As these balances had been shown as debit balance Assets and credit balance Liabilities in the Statement of financial position in the year under review, the correct position had not been disclosed through the financial statements. Further, the Final credit balance of this account as at the end of the preceding year had been stated as Rs.26,885.4 million whereas the opening credit balance as per the current year ledger had been overstated by Rs.1.9 million. A debit balance of Rs.53.84 million and a credit balance of Rs.80.72 million had been transferred to this account during the current year, too.

(b) Although 66 debit balances totalling Rs.3,232.23 million and 23 credit balances totalling Rs.2,010.92 million of immovable assets and liabilities had been written off from books as per the approval of the Department of Public Enterprises on 30 July 2002 granted to write them off from books after carrying out a full examination and on the knowledge and approval of the Board of Directors, neither a full examination had been carried out nor the approval of the Board of Directors had been obtained.

2.2.5 Unexplained Differences

The following observations are made.

(a) Since the stock balance amounted to Rs.758.17 million and the stock balance as per Bin Cards in the stores amounted to Rs.756.59 million according to the financial statements, action had not been taken to identify the reasons for the difference of Rs.1.58 million and to rectify the same.

(b) In calculating the profit and loss on sale of condemned buses during the year under review, the cost and the accumulated depreciation had been taken to accounts as Rs.1,161.06 million and Rs.1,155.77 million respectively. However, according to the sales register obtained from the Accounts Division, they had been shown as Rs.1,014.19 million and Rs.1010.63 million respectively. Reasons or explanations for the difference of Rs.146.87 million and Rs.145.14 million respectively had not been made available for audit.

(c) One thousand six hundred and four buses had been sold during the year under review and their sales value had been amounted to Rs.239.28 million according to the information of the Procurement Division, but 1422 buses had been sold and their sales value had been amounted to Rs.225.93 million according to the accounts. The difference therein had not been identified and rectified. Out of them, the cost and the accumulated depreciation of 130 buses sold at Rs.20.37 million had been amounted to Rs.113.08 million and Rs.110.37 million respectively as per the sales register and they had been amounted to Rs.139.24 million and Rs.135.36 million respectively as per the register of condemnation.

(d) Although the income of the year under review from operating the "Sisuseriya" and "Nisiseriya" bus services had been amounted to Rs.172.35 million and Rs.5.41 million respectively as per the information received from the National Transport Commission, they had been shown as Rs.139.0 million and Rs.5.2 million respectively in the financial statements.

(e) A balance of a savings account of Rs.155,333 and a fixed deposit of Rs.313,699 directly confirmed the balance by Banks had not been included in the financial statements.

(f) Although the value of travel passes issued on cash basis during the year under review amounted to Rs.587.18 million according to the information in the operations Division, a difference of Rs.54.10 million had been observed due to presenting it as a sum of Rs.533.08 million in the financial statements.

2.2.6 Suspense Accounts

A credit balance of Rs.2.35 million in a suspense account, brought forward for more than 10 years being changing the balance and a balance adjustment account of Rs.23.78 million relating to the year under review had not been settled even by the end of the year under review.

2.2.7 Lack of evidence for audit

Evidence shown against the following transactions was not made available for audit.

Item	Evidence not made available
(a) Non – current assets	(i) Detailed schedules in respect of each asset to get ascertained the balances of lands and buildings, motor vehicles, condemned vehicles and other assets. (ii) Duly prepared Registers of fixed assets in the Head office and all other offices of the Board.

		(iii) Documents for the confirmation of ownership of lands and buildings. (iv) Invoices relating to the purchase of 10 Super luxury buses valued at Rs.98 million.
(b)	Investments	Confirmations of balances of fixed deposits amounting to Rs.48.31 million and savings of Rs.51.28 million.
(c)	Stock	Verification reports for the stocks valued at Rs.108.39 million relating to 17 Depots, 03 Regional Workshops and 02 Regional Offices.
(d)	Stock of fuel	Verification reports for the fuel stocks valued at Rs.24 million as at the end of the year under review in Fuel stores at 58 Depots and the Office of Central Bus Stand.
(e)	Sundry debtors	Schedules and age analysis inclusive of individual balances for Rs.39.37 million.
(f)	Trade Debtors	Schedules and age analysis inclusive of individual balances for Rs.18.28 million.
(g)	Other income receivable	Schedules inclusive of individual balances for Rs.6.69 million.
(h)	Trade creditors	(i) Schedules and age analysis inclusive of individual balances for Rs.35.33 million relating to 31 Depots and 11 Regional workshops. (ii) Age analysis relating to a sum of Rs.698.05 million.

(i)	Other creditors	Schedules and age analysis inclusive of individual balances for Rs.19.18 million.
(j)	Employee deposits and other deposits	Detailed schedules and registers relating to employees deposits of Rs.65.62 million and other deposits of Rs.7.9 million.
(k)	Bank balance/ Bank Overdraft	Bank reconciliation statements for 32 bank balances of Rs.74.38 million and 51 bank overdrafts valued at Rs.268.6 million.
(l)	Condemnation of buses	Particulars of condemnation of 314 buses valued at Rs.193.78 million.

2.3 Accounts Receivable and Payable

The following observations are made.

(a) Cash shortage of Conductors and cashiers had been Rs.17.18 million and Rs.31.85 million respectively. It had increased by Rs.0.87 million and Rs.30.31 million respectively during the year under review. Even though certain balances had been brought forward since several years, no proper action had been taken to recover this money from the responsible officers. Further, as the checking of way bills of the Depots had not been updated, the accuracy of those balances had not been ascertained.

(b) A sum of Rs. 29.53 million, used for making payment of salaries and fuel out of the Daily revenue without banking it in certain days from May to December in the year 2012 in the Badulla Depot, had been included in the above cash shortage of cashiers and no action had been taken to settle the same.

(c) A sum of Rs.1.80 million recovered from the employees of the Board for Tsunami Fund had been retained without being remitted to the relevant Fund.

(d) Loan instalments of Rs.304.61 million recovered from loans granted to employees from the Account of employees fine fund had not been credited to that fund but retained by the Board.

2.4 Non-compliance with Laws, Rules and Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, Management Decisions etc.	Non-compliance
(a) Sections (8)(1), (8)(3) and 11 of Finance Act, No. 38 of 1971 and paragraphs 5.2.1, 5.2.4, 5.2.5 and 8.2.2 of Public Enterprises Circular No. PED/12 dated 02 June 2003	(i) The budget submitted had not been approved by the Board of Directors and a copy thereon had been submitted to the Auditor General only on 15 February 2012.
	(ii) The budget had not been prepared in compliance with the financial statements presented.
	(iii) The consent of the Minister of Finance and the approval of the Minister in charge of the subject had not been obtained for the investment totalling Rs.630.55 million.
(b) Paragraph 6.1.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003.	A draft Annual report had not been presented along with the Annual financial statements.
(c) Paragraphs 1 and 2 of Public Enterprises Circular No. PD/39 dated 09 October 2006.	(i) Official vehicles had been given to 12 officers who were not entitled for official vehicles.
	(ii) Eight vehicles had been obtained on hire basis without the approval of the Director

			General of Public Enterprises and without calling quotations.
		(iii)	Despite there were sufficient number of vehicles for the activities of the Board, 08 vehicles had been obtained on hire basis and 05 out of them had been attached to 5 officers who were not entitled for vehicles.
(d)	Letter No. ශ්‍රීලංගම/ප්‍රකා/නිසා (කා)2010/ 18 dated 12 July 2010 of the Deputy General Manager (Technical)	Even though it had instructed to remove 143 buses, which had been sent to the VESKO company, from the bus fleet, action had not been taken accordingly.	

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the Sri Lanka Transport Board had incurred a loss of Rs.3,966.53 million for the year ended 31 December 2012 and as a result of receipt of Treasury grants amounting to Rs.1,508.19 million that loss had been reduced to Rs.2,458.34 million. The corresponding loss for the preceding year amounted to Rs.3,491.22 million and as a result of Treasury grants of Rs.1,153.6 million received, such loss had been reduced to Rs.2,337.62 million. A deterioration of Rs.120.72 million in the financial result in this year had been displayed as compared with the preceding year. Increase of operating expenses and other fixed expenses by 23 per cent and 13 per cent respectively had mainly attributed to this deterioration.

3.2 Legal cases instituted against/ by the Board

The Board had filed two cases against 02 external Institutions asking for compensation amounting to Rs.702,310 in respect of causing accidents to buses.

4. Operating Review

4.1 Performance

(a) According to the data and information presented by the Planning and Research Division, the performance of bus operations in the year 2012, as compared the data with the preceding 3 years, is given below.

	2012	**2011**	**2010**	**2009**
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- Bus fleet	7756	7821	8403	9125
- Requirement of buses according to the time table (Average)	7172	7131	7129	7134
- Number of buses provided for running per day	4694	4933	5119	4984
- Percentage of number of buses ran from the time table requirement	61%	60%	61%	62%
- Number of kilometres (km) expected to run during the year	609,651,210	611,411,135	616,363,455	598,280,260
- Number of km ran	337,830,439	340,840,718	341,617,984	335,861,305
- Number of Employees (Average)	34,092	34,263	34,772	35,365
- Number of employees depended per bus with running condition	7	7	7	7

Although total bus fleet belonged to the Board in the year 2008 amounted to 9326, it had shown that the bus fleet had dropped gradually during the preceding 5 years, and it had dropped by 16.83 per cent in the year 2012 as compared with the year 2008. Similarly, only 61 per cent of that bus fleet had been in running condition and it had failed at least to fulfil the time table requirement. Further, the Board had been able to run the buses only for 55 per cent of the number of targeted km during the preceding 5 years. Although the revenue position of the Board had been at a very low level, the number of employees depended per bus by the year 2012 had been 7.

(b) The operating progress of the Board during the year under review as compared with the preceding year is given below.

	2012	2011
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	Rs.	Rs.
- Revenue earned per km from transport of passengers	53.90	44.26
- Total revenue per km (inclusive of Government grants)	77.86	66.07
- Total expenditure per km (inclusive of depreciation)	85.24	69.81
- Operating loss per km (Prior to Government grants)	25.14	19.45
- Total loss per km (After Government grants)	7.38	3.74

Even though the income received from passenger transport in the year under review had increased by 18 per cent, as the total expenditure had also increased by 21 per cent as compared with that of the preceding year and as the expenditure had enhanced more rapidly than the enhancement of income, the Board had continuously incurred losses.

(c) Even though it was planned to purchase 200 small buses of "E" model and 200 buses of "B" model on credit basis for the requirement of General public in rural areas according to the Action Plan for the year 2012, 04 buses of "E" model and 04 buses of "B" model had only been purchased during the year under review.

4.2 Inefficiencies in the Utilization of Funds

The following observations are made.

(a) The Board had retained, as at the end of the year without being paid on due dates in each year, a sum of Rs. 491.65 million and Rs. 3,217.12 million which had to be credited to the Provident Fund of the Board and Employees' Provident Fund of the Central Bank of Sri Lanka respectively as at the end of the year under review in terms of the Employees' Provident Fund Act, No.15 of 1958, the articles and regulations of the Employees' Provident Fund of the Board and the provisions in the Employees' Trust Fund Act, No.46 of 1980. As such, the contributions of the Employees' Trust Fund not so credited as at the end of the year amounted to Rs.49.3 million and the surcharge payable due to non-payment of contributions on due dates amounted to Rs.13.78 million. Due to non-payment of contributions on specific dates, payment of surcharge ranging from 5 to 50 per cent had to be made. Action had also not been taken to make provision to meet the legal fees which ought to be paid in respect of judicial process arisen thereby.

(b) Even though the security deposits recovered from employees should be invested in an external institute, only a sum of Rs.4.63 million out of a sum of Rs.65.6 million recovered from drivers and conductors had been invested and the balance had been utilized for the cash requirement of the Board.

(c) A practice of giving cheques to the Managers of the filling stations for the value of fuel required for the succeeding 2 weeks had been adopted stating that fuel stocks required for the filling stations at Orugodawatta and Rathmalana would not be given without paying the money to the Ceylon Petroleum Corporation by the Board. Fifteen cheques valued at Rs.10.18 million and 11 cheques valued at Rs.7.86 million had been retained in the hands of the Managers of Filling stations for Orugodawatta and Ratmalana Filling Stations respectively as at 31 December 2012. The value of all these cheques had been brought to accounts as fuel stocks in transit.

(d) A separate current account had been opened particularly for the purpose of making payments of the relevant loan instalments early for the buses purchased on credit basis, and to prevent the utilization of money received as instalments from the Depots for any other purposes. However in contrary to that objective, a sum Rs.75.07 million had been transferred to some other accounts for the financial requirements of the Board in the year under review. Even though the Board had pointed out that this was a temporary cash exchange due to financial difficulty of the Board, the objective of opening of this account could not be achieved in this manner.

4.3 Management Inefficiencies

The following observations are made.

(a) Since the management had not implemented a proper system to inform the particulars of travel passes, issued on cash basis, by the Operation Division to the Finance Division and the recovery particulars thereon by the Finance Division to the Operations Division, the follow up process to ensure whether the money for every pass issued was received had not been carried out by both Divisions.

(b) As there was no a proper practice had been implemented to bring the Police warrants, issued to police officers to travel by buses of the Board, received by each depot to the Head Office without delay to recover the money from the Department of Police it could not be ensured whether all such police warrants had been sent to the Head Office and recovered the money therefor.

(c) As lands and buildings belonged to the Board had not been documented from the inception, it was stated at the Audit and Management Committee meetings and replies to audit queries that action would be taken to conduct a Survey and to update Registers of Assets, action had not been taken accordingly, even by the end of June 2015.

(d) As action had not been taken to send the required information to the Accounts Division for accounting purposes by various Divisions of the Board at the time of effecting the transactions itself and the preparation of financial statements had been delayed for more than 2 years, the following deficiencies had been incurred in preparing the Financial Statements.

(i) Omissions from accounts

(ii) Under accounting

(iii) Non-reconciliation of information in each Division

(iv) Condemnation of certain buses for several times

Even though these issues observed in audit were brought to the attention by way of audit queries and audit reports at various occasions, action had not been taken to rectify them.

(e) It was agreed to supply spare parts for 10 years in terms of Section 5(3) of the Agreement signed with the suppliers relating to the purchase of 300 buses on credit basis during the year under review. As spare parts required for the repair of a bus had not been supplied to suppliers within the warranty period, a sum of Rs.87,020 had been spent by a Depot for such purpose.

(f) Although it had agreed to make the employees participate in a training program to provide them technical knowhow in respect of maintenance of buses purchased in terms of Sections 5(4) and 5(7) of the above agreement, it had not been implemented.

(g) Even though the Procurement Committee had decided to purchase 10 buses to commence the operation of buses in the Southern Expressway, comprising 04 buses at the Committee meetings held on 13 September 2011 and 15 February 2012, 04 buses at the Committee meeting held on 26 June 2012 and 02 buses at the Committee meeting held on 17 July 2012, 11 buses had been purchased before holding the last committee meeting on 14 March 2012. Although all these buses had been purchased on credit basis, no any agreement whatsoever had been entered into in that respect.

(h) Hundred and Sixty two buses in the year 2011 and 138 buses in the year 2012 had been purchased out of 300 buses of “B” model approved for purchasing as per the Action plan for the year 2011. Action had not been taken to sign the agreements with the supplier until 291 buses out of 300 were received by the Board.

(i) The management had failed to sell 1,519 buses which had been condemned from 2007 to 2012 but remained unsold even by the end of the year 2012. The cost and the accumulated depreciation of those buses amounted to Rs.1090.85 million and Rs.1052.99 million respectively.

(j) The management had not carried out an investigation and taken action in respect of stock shortages and surplus amounting to Rs.3.28 million and Rs.4.88 million respectively disclosed at the stock verification.

4.4 Uneconomic Transactions

The Board had paid a sum of Rs.111.86 million as Bank overdraft interests during the year under review due to obtaining Bank overdraft facilities. This had been an increase of 99 per cent as compared with the preceding year.

4.5 Resources of the Board given to other Government institutions

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Two vehicles of the Head Office had been released to the Line Ministry contrary to the Paragraph 8.3.9 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.

4.6 Staff Administration

The following observations are made.

(a) An organization chart, a Scheme of recruitments, a Scheme of promotions and an approved cadre for the Board had not been prepared and get them approved by the Department of Management Services in terms of Chapter 9 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.

(b) The Board had only a proposed cadre structure prepared in the year 2008, on the basis of 5.6 employees per bus, based on 5,500 buses made to run. Even though the proposed cadre should have been 30,250, it had been risen up to 30,554 at the time of preparation of proposed structure. As the actual cadre as at 31 December 2012 amounted to 33,731, there was an excess of 3,177 employees. The number of buses made to run during the year under review amounted to 4,694 and as such, number of employees per bus made to run stood at 7.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the Financial Statements for the year under review along with a copy of the Draft Annual report should have been presented for audit on or before 28 February of the ensuing year in terms of paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the financial statements for the year 2012 had been presented to audit only on 18 May 2015 after a delay of 02 years and 02 months and a draft Annual Report had not been presented along with such financial statements.

5.2 Corporate Plan

Even though a corporate plan for the years 2012-2016 should have been prepared and a copy thereof should be presented to the Auditor General 15 days prior to commencement of the year in terms of Paragraph 5.1.1 of Public Enterprises Circular No. PED/12 dated 02 June 2003, it had been presented only on 26 April 2012, after a delay of 04 months.

5.3 Action Plan

Even though an Action Plan should be prepared clearly identifying the responsibility of the Management so as to enable to reach the goals and targets within the period planned in terms of Paragraph 5.1.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, it was observed that the Action Plan presented had not been practicable as to achieve the objectives and targets.

5.4 Procurement Plan

The Board had not prepared a Procurement Plan in terms of Paragraph 4.1.2 (a) of the Procurement Guidelines dated 01 March 2006.

5.5 Budgetary Control

In comparing the budgeted figures with the actual figures, significant variances were observed ranging from 4 per cent to 98 per cent, thus indicating that the budget had not been made use of as an effective instrument of management control

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control.

(a) Control of Fixed Assets

(b) Stock control

(c) Accounting

(d) Debtors and Creditors

(e) Confirmation of account balances

(f) Budgetary control