

THE OPERATING ACTIVITIES AND RESOURCES UTILISATION OF THE SRI LANKA TRANSPORT BOARD



Performance and Environment Audit Division



AUDITOR GENERAL'S DEPARTMENT



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1. Executive Summary

Ceylon Transport Board was established in the year 1958 and after several subsequent structural changes made from time to time based on different objectives, the Sri Lanka Transport Board was established in the year 2005 with the objective of providing an effective transport service to the public. Even though the Sri Lanka Transport Board had a fleet of 7,900 buses (approximately) at the beginning of the year 2012, the number of buses actually run from that fleet had been, 4,400 buses on 56 per cent. Even though the ticket income for the year 2011 amounted to Rs.15,176 million the Board had reported a loss of Rs. 5,614 million for the year, even after taking into account the funds amounting to Rs.2,308 million provided by the Treasury.

The matters such as the unavailability of an adequate fleet of buses to fulfill the running requirements, the actual number of buses run being 55 per cent to 60 per cent of the fleet of buses of the Board, the failure to maintain the buses properly, the obstructions caused to the Board by the running of private buses, the weak performance of the Regional Workshops, the lack of best management of fuel costs, condemning of run-down buses as obsolete and sale by auction instead of restoring to normal condition, the purchase of spare parts by the Board without following the provisions in the Government Procurement Guidelines, lack of attention paid to exploring alternative sources of income, lack of consideration for environmental matters, the existence of problems relating to the title to the lands, buildings and other properties of the Board and leaving those for misuse, and the other matters such as the lack of an approved staff for the Board as well as Schemes of Recruitment, Promotion and Transfer of employees, the lack of timely payment of salaries, the lack of timely payment of statutory contributions to the Employees Provident Fund, delays in the payment of gratuities and the payment of large sums as surcharges thereon annually, etc., revealed during the course of the Performance Audit had reduced the performance of the Board to the minimum level. The frequent dependence on the Treasury provisions due to the lack of funds with the Depots of the Board adequate for meeting the operating expenses was a noticeable feature observed during the audit.

The attention of the Board should be paid for the minimization of the existing inefficiency by the improvement of the bus fleet and the creation of a good employee management in addition to the minimization of the operating inefficiencies, deficiencies in the purchase of spare parts and specially the heavy costs fuel incurred from the daily income.

2. Background

2.1 Introduction

The buses run by Private Bus Companies were nationalized and the Ceylon Transport Board (CTB) was established with effect from 01 January 1958. Subsequently 10 Regional Transport Boards were established in the year 1978 and decentralized the service with the objective of providing the passenger transport services on the Regional and Provincial bases efficiently and effectively.

In view of the continuous losses sustained by the Board and the inability to meet the increasing passenger demand, the Board was privatized under the Restructure of the Public Sector through Peoplisation and 93 Depots had been converted to 93 Limited Companies in terms of provisions in the Conversion of Public Corporations or Government Owned Businesses into Public Companies Act, No. 23 of 1987. In view of the failure to achieve the expected results from the peoplisation, the above Depots had been consolidated and the Cluster Bus Companies were established by amending the National Transport Commission Act, No. 37 of 1991, and as the Cluster Bus Companies as well had failed as a result of various inefficiencies and other external problems, the Sri Lanka Transport Board was established again in terms of Section 7 of the Sri Lanka Transport Board Act, No. 27 of 2005 and the Notification published in the Gazette Extraordinary No. 1415/15 dated 19 October 2005.

Aims and Objectives

1. To promote a qualitative, quantitative, efficient and effective bus service through 12 Regions by monitoring, coordinating and counseling.
2. To provide a satisfactory bus service to school going children.
3. To provide bus services on uneconomic routes which are neglected by private operators due to pecuniary considerations.
4. To provide long distance services to remote areas from Central Bus Station, Pettah.

5. To coordinate the public and private sector transport agencies.
6. To coordinate bus services during festivals, special events, Parliament/ Provincial Councils elections etc.
7. To transport mails and newspapers.
8. To coordinate between General Treasury, National Transport Commission, Provincial Councils, relevant Ministries and other related agencies with regional offices for operation of buses.
9. To provide well trained and disciplined drivers from SLTB Driver Training Schools.
10. To conduct seminars/Workshops for drivers, conductors, mechanics and supervisory staff.
11. To provide units/ sub units produced by Provincial Workshops to Depots.
12. To provide season tickets to adults and students at attractive discounted rates.
13. To maintain a Transit Stores at S.L.T.B Head Office, Narahenpita for issue of critical spare parts to Provincial Workshops.
14. To conduct security investigations, Flying Squad checks etc.in Depots.

The Board functioning for the achievement of the above objectives comprises 104 Main Depots, 16 Sub-Depots, 12 Regional Offices including the Head Office, 11 Regional Workshops, 07 Driver Training Schools, 06 Circuit Bungalows and 02 Rest.

2.2 Authority for Audit

The Performance Audit was carried out under my direction in pursuance of the provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

2.3 Objective of Audit

The objective of this Performance Audit assessing the performance of the operating activities of the Sri Lanka Transport Board and the utilization of the resources owned by the Board.

2.4 Scope of Audit

The Performance Audit was carried out on the sample basis, based on the time and the human resources available for the purpose. Seven Depots out of 25 Depots in the Western Province having the target number of bus operations of the Board, one Depot each out of 15 Depots, 12 Depots and 15 Depots of the Central, Sabaragamuwa and North Western Provinces respectively and 2 Depots out of 8 Depots in the North Central Province were selected on the sample basis for the examination purposes.

3. Detailed Audit Findings and Recommendations

The following matters were observed in this connection.

3.1 Bus Running Performance

The test field inspections carried out by the Audit in connection with 11 Depots revealed that out of the bus fleet of the Board the average number of buses that could actually be run had been 59 per cent. The inability to deploy the buses for running at the maximum level had been due to the engineering and running reasons.

3.1.1 Impact of Engineering Reasons for Running of Buses

The engineering activities of buses should be taken into account for optimizing the operating efficiency. Accordingly the number of buses of the 11 Depots subjected to the test check which could not be deployed for running due to the engineering reasons had been about 40 per cent of the bus fleet. It was observed that such position had an impact on the fulfillment of the daily running requirements of those Depots leading to a decrease of the income of those Depots.

The observations and other deficiencies in this connection are as follows.

(a) Unsecured parking of Buses that could be added again for Running Purposes

It was observed that the unsecured parking of buses that could be added again for running purposes could result in minimizing their useful life and that certain buses had not been run for about 15 years.

(b) Buses sent for Minor Repairs

The number of buses in running condition sent for minor repairs to the 11 Depots subjected to the test check had been in the ranges from 17 to 45 and those had not been deployed over long periods due to the scarcity of spare parts. In view of the failure to carry out repairs during the specified period had resulted in deterioration and sooner reaching the disposal stage.

(c) Bus as sent for Large Scale Repairs

In view of the absence of a proper course of action for carrying out repairs to buses that can be used for further running, those remained inactive and unsecured over long periods. Certain parts of buses sent for large scale repairs had been removed and used for repairing other buses and there were instances in which such buses sent for repairs had been rendered irreparable due to such practice. In certain instances such buses had been marked for disposal. Eleven Depots subjected to the test check had buses in the ranges of 0-45 awaiting repairs for more than 3 years and up to 5 years whilst buses in the ranges of 1 to 23 years had been awaiting repairs for over 05 years up to 10 years. Such retention of buses for repairs over long periods despite the unavailability of an adequate bus fleet to fulfill the running requirements had resulted in the decrease of income of the Board and limitation of the services provided to the passengers.

3.1.2 Impact of Running Reasons for Running of Buses

According to the information furnished to the Audit on the buses not run due to running reasons, in addition to the engineering reasons, the overall bus runnings of the Board had been as follows.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Bus Fleet	7,921	7,746	9,056
Number of Buses in Running Condition	5,335	5,478	5,172
Number of Buses run	4,413	4,495	4,530
Number of Buses in Running Condition out of the Bus Fleet	67%	71%	57%
Buses actually run from the Bus Fleet	56%	58%	50%
Number of Buses run as a percentage of the Buses fit for running	85%	82%	87.1%

Source :- Information System of the Board

Accordingly, the average number of buses actually run during the 3 years out of the buses fit for running had been 84 per cent. Out of the buses fit for running, 16 per cent had not been used for running due to the running reasons. Details are as follows.

(a) Nature of Reasons for not Running

Daily running of buses had been reduced largely and except the climatic conditions other reasons for that such as the shortage of staff, sudden changes, accidents and deployment in other services were observed as the matters that could have been controlled.

(b) Observations on the Depots subjected to Test Checks

- i. According to the test check of the Moratuwa Depot, it was observed that 284 buses had not been run from 01 May 2012 to 15 May 2012 due to the unavailability of Drivers and Conductors. It was observed that despite the recommendations of the Engineering Division that 60 to 65 buses were fit for running, only 40 per cent to 45 per cent of buses had been run due to the unavailability of an adequate number of Drivers and Conductors.
- ii. The checks carried out in this connection at Ratmalana Depot revealed that about 112,542 kilometre runs had been lost due to running reasons in March 2012. In this connection the major reasons had been the strikes and employees' problems, shortage of staff, bad weather or traffic congestion and absence without informing.

In addition, it was observed that the number of kilometer runs as against the targeted kilometer runs during the period from the year 2009 to March 2012 due to the running reasons had been in the ranges of 11 per cent to 15 per cent. The number of kilometer runs lost due to running reasons during the period from the year 2009 to March 2012 had shown an increasing trend whilst the income lost as compared with the year 2009 had increased by 68 per cent.

(c) Routes on which Board Buses are not run

Accordingly, in routes ranging from 1 to 26 of 11 Depots checked, not even a bus of the Board had been run and as such it was observed that the Board had not supplied any service to meet the requirements of the passengers of such routes. It was observed that the above requirement in certain areas is supplied by the private bus services whilst no service whatsoever is supplied in certain other areas.

Recommendations

- i. Identify the repairs that can be done at least cost and expeditiously and give priority.
- ii. Prompt supply of the basic resources needed for carrying out minor repairs without delay and desist from the exchange of accessories of other buses as short term step.
- iii. Recruitment, attachment and promotion of the staff engaged in mechanical work.
- iv. Identification of Depot-wise the staff essential for the running of buses according to the Running Timetables and the approval of leave of the staff of essential grades on the work covering basis.
- v. As most of disciplinary actions are relating to the failure to report for services and in the case of conductors due to shortages in cash handed over, procedures for minimization of such incidents should be implemented.

3.2 Impact of Private Buses in Running Buses of the Board

Instances of disadvantages caused to the Board from private buses in the implementation of the joint timetables and in the issue of permits and in the preparation of the timetables

in connection with the inter-provincial bus running were observed. The detailed observations made in that connection at several Depots of the Board subjected to the test check are given below.

- i. The running times within the Province approved previously in the approved timetables of the buses of the Board in the Kebithigollewa Depot had been assigned to the private bus operation by the Road Passenger Transport Authority and as such the Board had been deprived of 6 daily running turns.
- ii. The unscheduled running of private buses on the high income inter-provincial routes of the Depots at Kebithigollewa, Avissawella and Anuradhapura and the preparation of timetables by allocating the running times for private buses before the Board buses had caused an unfavourable impact on running of the Board buses.
- iii. Even though buses are run on 3 Bus Routes of Nittambuwa Depot in accordance with the joint timetable system given by the Road Passenger Transport Authority, arrangements had been made for running of a private bus prior to the Board bus or closer thereto.
- iv. Threatening and frightening of the Drivers and Conductors of Board buses run in the nights on the Piliyandala Kahapola Route had become an obstacle in running of buses on that route in the night.

Recommendations

- i. Make arrangements for holding discussions with all parties concerned in the preparation of timetables in order to run buses in co-operation with responsibility by all parties by paying attention to the existing composition.
- ii. Hold discussions with the institutions relevant in this matter such as the National Transport Commission, the Provincial Road Passenger Transport

Authorities and the Ministry of Private Transport Services and prepare timetables which could provide for deployment of buses by the Private Sector and the Board in co-operation with each other.

- iii. The authorities of the Board should intervene in providing security against threats to its employees by seeking protection from law and order authorities including the Police.
- iv. Creation of an Insurance Scheme specially for the Drivers and Conductors.

3.3 Performance of Running Passenger Buses

3.3.1 Number of Buses deployed for Timetable Requirements

The information revealed at the test checks of this matter is as given below.

(a) Deficiency or Excess of Bus Fleet for Timetable Requirements

There were significant differences in the bus requirements according to the timetable requirements of each of the Depots subjected to the test check and the actual number of buses in the bus fleet. Either deficiencies or excesses according to the timetable requirements existed and both conditions had an adverse impact on the performance of the Depots.

The shortage of buses for the timetable requirements in the Depots at Nittambuwa, Kadawatha, Ratmalana, and Anuradhapura Depots during the years 2010 , 2011 and April to June of the year 2012 had been 33, 40 and 67 respectively.

(b) Running of Buses deviating from the Requirements of General Public

Despite lack of adequate buses for passenger requirements, buses of the Board had been made available for festivals, demonstrations and the duties of the Armed Forces causing an impact on the services provided to the passengers as well as an adverse impact on the income of the Depots. The details are as follows.

- i. As the attention had not been paid to the timetable requirements in making available buses for festivals/demonstrations and for the services of the Armed Forces, that practice had an adverse impact from the cancelled bus runs on routes without private bus services and the passengers of routes affected by traffic congestions.
- ii. In most instances of release of buses for various state functions the fees charged are paid by the parties concerned direct to the Head Office of the Board, thus depriving the income to the Depots concerned. Even though the expenditure of the buses so deployed such as fuel, and salaries, overtime, travelling expenses, combined allowance of the Drivers and Conductors as well as maintenance expenditure have be borne by the Depots concerned, the Depots were deprived of the income.
- iii. The information on the determination of the minimum average hire charge recoverable on the buses used for such festivals and demonstrations are included in the Circular No. SLTB/DGM/RD/IT/2012 dated 15 January 2012 issued by the Deputy General Manager (Running) of the Board. Nevertheless, it was observed that the provisions of that circular are not correctly implemented.
- iv. Three double decker buses of Ratmalana Depot had been designed for running for special purposes. The bus bearing No. 60-6640 of Ratmalana had been released to a Tourist Company and the charges recoverable for the bus had been clearly stated in the letter No. SLTB/DGM/IT/03/2010. The income earned from running the bus during the years 2010, 2011 and 2012 amounted to Rs.79,000, Rs.1,167,680 and Rs.289,760 respectively.

The bus had been released to the Tourist Company referred to above on the receipt of a sum of Rs.10,000 and it was observed that in the use of the bus for tourism purposes, the actual information on the distance travelled, and period of detention had not been reported to the Depot for the purpose of recovering of the charges in accordance with the provisions. In addition, it was reported that the Driver and the Conductor of the bus are employees of the Depot of the Board and that their overtime and travelling expenses are

paid by the Depot. As the bus has a large demand and attraction, the income earned therefrom is inadequate. As the buses supplied by the Depot for other special purposes (for schoolchildren, for tours) are under the control of the Depot and the income is received direct by the Depot, such deployment of buses had been reported as advantageous.

3.3.2 Uneconomic Running of Buses

It was observed that buses are run incurring losses continuously due to different reasons. The inspections of the Central Bus Stand and the Kadawatha Depot revealed that the buses are run uneconomically by Depots due to reasons such as parking of buses far away from the Depot, buses taken to fuel stations far away from the Depot for fuel filling and running to point of running turn without passengers. Running of empty buses on such short distances had been an additional charge on the Depots. Details are given below.

- (a) The additional expenditure incurred on 6,621 kilometres during 4 months of the year 2012 due to the need for taking the buses of the Central Bus Stand to a filling station near the Orugodawatta Official Vehicle Unit for obtaining fuel amounted to Rs.542,532.
- (b) In view of the shifting of Kadawatha Depot to a place within 3.8 kilometres on the Ganemulla – Kadawatha Road, trips of this route operated under a joint timetable had been restricted from 8.30 a.m. and 5.00 p.m., it was observed that all buses leaving the Depot daily have to run uneconomically the total distance of 600 kilometres. The additional expenditure incurred per day at the gross income of Rs. 65.52 kilometre of the Depot amounted to Rs.39,312.

Recommendations

- i. Passenger transport requirements should be given priority.
- ii. In the release of buses to other institutions, the fee charges should cover the expenditure and a profit margin and such income should be diverted to the Depot concerned.

- iii. Action should be taken for the revision of the fees charged in conformity with the current conditions.
- iv. Such release of buses should be made by obtaining an advance.
- v. Provision should be made for charging a penalty and for the recovery of arrears.
- vi. Lay down procedures to ensure the security of buses and for prevention of misuse of buses released to external parties.
- vii. Installation of the required facilities in the Central Bus Stand itself for the supply of fuel and other services at minimum cost.
- viii. Action to be taken for the transport of passengers by charging bus fare in order to avoid the non-income running of buses from Kadawatha Depot over a distance of about 4 kilometres.

3.4 Maintenance of Buses

It is essential to carry out proper maintenance of buses to get the maximum service from the buses and maintain records of maintenance work done. The manufacturers themselves had determined the specific time frames for that purpose and in order to get the expected service such maintenance should invariably be carried out as stipulated. Those include washing the entire bus including the chassis, oil spray and greasing after running 8,800 kilometres. Thus should be followed by oil change after running 16,000 kilometres and other adjustments as at 24000 kilometres all above servicing should be followed by the bay services. Thereafter, once in every 32,000 kilometres, the bus, including the chassis should be fully cleaned, washed by high pressure water and carry out all servicing covering all aspects of the bus as appearing in GR 38 Report and maintain the bus in the optimum running condition.

The test check of 11 Depots carried out revealed that servicing of buses, oil changes and the bay services are not carried out properly on the due dates and that there were long delays in attending to the lapsed servicing and maintenance. This had resulted in the lowering of the running condition and reducing the effective life of buses.

The particulars of the number of buses of each Depot of which delays in the servicing and maintenance had been reported are dealt with in the following paragraphs.

3.4.1 Changing Engine Oil

Even though the Engine Oil changes and bay servicing should be carried out on the due dates in order to ensure the proper maintenance of buses, it was observed that those activities had been delayed continuously.

In this connection, instances of buses run over periods of 06 months to more than 12 months without changing Engine Oil were observed. Further, in the case of Avissawella Depot subjected to the test check, out of 77 buses for which Engine Oil changes had not been done for more than 6 months 46 buses being new buses was a noticeable feature. In addition, 13 buses of 3 Depots had been deployed in running without Engine Oil changes over a period of 12 months whilst in the case of the Avissawella Depot 2 more buses had been run for more than 12 months without changing Engine Oil. Non-implementation of a course of action for the change of Engine Oil on the stipulated days and the unavailability of financial provision in certain Depots for the purchase of Engine Oil had been the reasons for the situation.

Even though the maintenance work should be done on a timely basis according to the number of kilometers run, lack of adequate stocks of lubricants and grease as and when necessary for carrying out the maintenance work had been the reason for not so doing. Fourteen instances of not having stocks of Engine Oil with Avissawella Depot on dates close to 29 May 2012, the date of audit, were observed.

3.4.2 Lack of Updated Servicing and Maintenance of Buses

In view of the financial constraints, the purchase of lubricants and grease required for the change of Engine Oil, those had been purchased in small quantities from time to time resulting in incurring high costs as compared with the cost of bulk purchase of those items. The following observations were made in this connection.

- (i) A loss of Rs.215,972 had been sustained by the Yatinuwara Depot from 01 January 2012 due to the purchase of oil and lubricants in small quantities.

- (ii) A loss of Rs.82,291 sustained by the Kegalle Depot in the purchase of Delo 500 lubricants on retail basis from January to May 2012 was observed at the test check.

3.4.3 Establishments of New Bus Service Stations

The Ministry of Transport had taken action in the year 2008 by providing a sum of Rs. 34 million under the Object “Money for Construction and Development of Institutional and Mechanical Workshops” and for the supply of machinery and equipment in the years 2009 and 2010 for the establishment of Bus Service Stations in the Depots of the Board. It was revealed in audit that such equipment had not been made use of properly and certain Service Stations had not been established and the equipment remained either idle or underutilized. Such unsatisfactory servicing of buses had an adverse impact on the running condition of the buses.

Three Depots subjected to the test check, had not carried out servicing properly and had adduced reasons for not so doing such as the unavailability a specific place, lack of water and lack of staff required.

In the circumstances, the Depot Management informed the Audit that the Chassis of the buses of the Depots are washed only from the outside.

Several other reasons which had an impact on avoiding or delaying of servicing work had been as given below.

- (a) There was delay in the computation of the number of kilometers runs from the Log Sheets and informing the Engineering Division and as at 07 June 2012, the date of audit, the servicing of 07 buses of the Kegalle Depot had been delayed within 04 months.
- (b) It was observed that Kebithigollewa Depot is not carrying out bus servicing due to lack of equipment and other facilities required for servicing of buses.

- (c) Except the new Hino buses received by the Depots under the leasing facilities, the milimetres of all buses of the fleet had not been working properly whilst the running kilometers of each bus not reported timely and correctly and as such it was generally observed that servicing of buses had been either delayed or forgotten.

Recommendations

- i. As the expenditure on the purchase of oil, grease and lubricants required for change of oil, maintenance and servicing should be regularly and invariably incurred by the Depots of the Board, a part of the monthly income of each Depot should be reserved for that purpose.
- ii. Desist from making purchases in small quantities and arrange for bulk purchase locally or arrange for the purchase of Engine Oil, Lubricants and Grease in bulk by the Main Stores of the Board and distribution to the Depots based on the requirements.
- iii. In order to prevent delays in the maintenance work, display Notices containing the dates allocated for each bus for the information of the bus crews.
- iv. Determine the persons responsible for servicing of buses, assign the responsibility and take follow-up action.
- v. Take action for installation of equipment by providing the necessary resources in order for using those and take follow-up action.
- vi. Study the reasons for the failure to fully utilize those equipment and take remedial actions.

3.5 Fuel Cost Management

Over 60 per cent of the daily running cost of Depots of the Board is spent fuel. Even though a fuel subsidy had been paid by the Treasury in the preceding years by computing

the monthly fuel cost of diesel required for all buses of each Depot per month, that system is not in operation at present. As such the expenditure of the Depots had increased in large measure. As such most of the Depots sustain losses. The lack of proper fuel management was also observed.

3.5.1 Bulk Purchase of Fuel

In the bulk purchase of monthly requirement of fuel of the Depots direct from the Ceylon Petroleum Corporation, a large sum of Rs.750,000 per bowser load of 6,600 litres of fuel has to be made as a one off payment to the Ceylon Petroleum Corporation. As every Depot except a few Depots such as Polonnaruwa and Thalangama maintained at fairly satisfactory financial position, experience financial constraints, they have to purchase fuel from the private filling stations from time to time, the price subsidy of Rs.1.73 per litre given by the Ceylon Petroleum Corporation is deprived of such Depots.

The test check of Avissawella Depot carried out on 24 May 2012 revealed that due to the purchase of fuel from private fuel stations instead of making bulk purchase from the Ceylon Petroleum Corporation during the first half of the year 2012 a loss of Rs.318,777 had been sustained.

3.5.2 Issue of Fuel to Motor Vehicles not belonging to Depots

The test checks of 11 Depots of the Board revealed that fuel had been issued without following a proper methodology to the motor vehicles of the Head Office and the Regional Offices of the Sri Lanka Transport Board. Four Depots subjected to the test check revealed that fuel valued at Rs.2,798,440 had been issued in the years 2009, 2010, 2011 and 2012 to motor vehicles of the Board and others which did not belong to the Depots concerned.

3.5.3 Fuel Tanks installed in Depots and Fuel Filing Activities

The observations on several Depots subjective the test checks are given below.

(a) Moratuwa Depot

- i. The motor of the Diesel Pump No. RET-16343 E-RM-22207 of Moratuwa Depot had not been in working condition over 2 years up to 15 May 2012, the date of audit. The existence of 1,545 litres of Diesel in the tank on the date of breakdown of the Pump had been reported. It was observed that the fuel pump had deteriorated beyond use due to rusting and oil sediment formed as a result fuel left inside.
- ii. Further it was observed that the underground fuel tank was inclined to one side and as such it was observed that according to the dipstick measurement indicates a fuel quantity exceeding the actual quantity.

(b) Kadawatha Depot

A period of over 6 months had elapsed by 30 May 2012, since informing the Ceylon Petroleum Corporation that the meter of pump No. 1 of Kadawatha Depot was not working. Even though the officers of the Ceylon Petroleum Corporation who visited the Depot had stated that it cannot be repaired and a new fuel pump should be installed. But the officers had failed to get it installed expeditiously.

(c) Nittambuwa Depot

Even though one of the fuel pumps of two fuel tanks of the Depot had nto been in working condition over a period of 8 months up to the date of audit, it had not been repaired.

Recommendations

- i. Discuss with the institutions concerned the possibility of implementing a subsidy scheme for the purchase of fuel as and when necessary for the buses of the Board from the private fuel stations.
- ii. Placing a higher weightage to the expenditure on fuel in placing weightage for the expenditure of the Board in order to facilitate the bulk purchase of fuel.
- iii. Impose strict limitations in the issue of fuel to external vehicles (other than buses of other Depots). (The maximum fuel limits of each officer based on the post have been determined).
- iv. Introduce a system for the proper maintenance of the fuel tanks and fuel pumps in collaborations with the Ceylon Petroleum Corporation.
- v. Introduce procedure for the control of fuel stocks based on fuel stock levels and correct fuel balances.
- vi. Regular checks of milometers and fuel meters to ensure whether they are in working order and supply of fuel to buses based on fuel meters.

3.6 Performance of Regional Workshops of the Board

This Workshops had been established in the early stages for the proper maintenance of the bus fleet of the Board and the upgrading of the bus fleets. Action was taken, as observed in audit, to obtain the Performance Information of 11 Regional Workshops for 3 preceding years and the following matters based on the information received from 9 Regional Workshops, except Kurunegala and Badulla, were observed.

3.6.1 Production Performance

(a) Repair of Bus Bodies

The number of bus bodies repaired from the year 2009 to the first half year of the year 2012 by the Workshops at Bandarawela, Matale, Pettigalawatta,

Udubaddawa and Medawachchiya had been 115, 242, 49, 105 and 44 respectively.

An analysis revealed that the major activity of the Regional Workshops at Matale, Udubaddawa and Pettigalawatta had been the fabrication of bus bodies and repair of bus bodies and that the annual targeted output for those Regional Workshops had not been determined.

The comparison of the expected output target of the Regional Workshop Medawachchiya for the years 2009, 2010 and 2011 with the actual output contribution average revealed that it had been at very low level of 12 per cent.

As compared with the overall production of the year 2010 with the year 2009, the Regional Workshops at Bandarawela, Udubaddawa and Matale had improved the production performance by 5.5 per cent, 6.5 per cent and 8 per cent respectively whilst the production performance of the Regional Workshops at Pettigalawatta and Medawachchiya for the year 2010 as compared with the year 2009, indicated a deterioration of 2 per cent. The normal performance of the Regional Workshops at Bandarawela, Matale, Pettigalawatta, Udubaddawa and Medawachchiya during the period 2009 to 2010 had been 13 per cent, 31 per cent, 7 per cent, 14 per cent and 8 per cent respectively.

The Regional Workshops at Pettigalawatta was destroyed in the tsunami disaster of the year 2004 and as it is temporarily maintained in the building used for washing the buses of the Galle Depot and as such the performance had been at a low level due to maintaining it with the minimum facilities.

(b) Repair of Gear Box

The normal performance of the Regional Workshops of the Board at Gampaha, Medawachchiya, Gintota and Yatinuwara during the period from the year 2009 to the first half of the year 2012 had been 32 per cent, 8.6 per cent, 8 per cent and 34 per cent respectively.

(c) Repairs of Engines

In the repairs to engines carried out during the years 2009 to first half year 2012, the Regional Workshops at Gintota and Yatinuwara had maintained a performance level of 40 per cent and 42 per cent. The production at the Medawachchiya Regional Workshops had been at a low level of 29 per cent.

(d) Repair of Axles

The examination of the repairs to rear axles in the years 2009, 2010 and 2011 by the Regional Workshops at Gintota and Medawachchiya revealed that only the Regional Workshop at Gintota had repaired 21 and 05 rear axles in the years 2010 and 2011 respectively. There were no production of front axles at the Gintota and Medawachchiya Workshops during those years. It was observed that during those years, repairs to front axles had not been done at the Medawachchiya and Gintota Regional Workshops in those years.

(e) Production of Rebuilt Tyres

The average performance of production of rebuilt tyres by the Ampara Tyre Factory in the years 2009, 2010, 2011 and the first half year of 2012 had been 27 per cent, 60 per cent 60 per cent and 55 per cent respectively.

The reasons for the decrease of the actual production as against the expected output had been adduced as the non-receipt of the financial provisions including the raw materials as required, on timely basis. Tyres are of primary importance in the maintenance work of the Board and lack of tyres had resulted in the failure to deploy the bus fleet at full strength. It was observed that, in view of the prevailing situation, tyres are being rebuilt through private institutions and that a large a sum of money had to be spent annually in that connection.

(f) Handover of Buses repaired by Regional Workshops to the Depots

Five instances of non-return of buses handed over to the Regional Workshops from time to time by the Moratuwa Depot were observed.

Even though the buses sent for repairs had been included in the bus fleet of the Depot, those were not physically available with the Depot and that had been an obstruction to the utilization of the bus fleet at the maximum level over a long period. Adequate steps had not been taken to get those buses unfit for running, repaired and returned. The clear reasons for the delay had not been furnished to the Audit. It was observed that the deficiencies in the human and physical resources prevailing in those workshops had been the reason for remaining their performance at the minimal level.

3.6.2 Cadre Administration of Regional Workshops

The details in his connection are given below.

- (a) The staff of the Regional Workshops at Gampaha, Bandarawela, Yatinuwara, Gintota and Medawachchiya had been deficient by 02, 11, 35, 45 and 50 respectively. These deficiencies had been computed on the basis of criteria for computation of staff requirements formulated by the Board itself. The fairness of the basis of computation was not proved.

It was observed at the Yatinuwara Regional Workshop subjected to the test check that out of 11 Engineering Labourers, there were 04 Engineering Labourers functioning as a Fitter, an Electrical Mechanic, a Blacksmith in the Mechanical Section and as a Fitter in the Mechanical Section without the required experience in the relevant fields.

- (b) The Regional Workshop at Gintota had improperly deployed the staff and seven members of the staff had been improperly appointed to higher posts outside the permanent post. In addition, it was reported that two Stores Controllers had been appointed as Assistant Supplies Officers whilst a Stores Clerk had covered the duties of the post of Stores Controller.

- (c) It was observed that Pettigalawatta Regional Depot had improperly appointed two labourer grade employees in the Sheet Mechanic post and a Stores Labourer as a Clerk.
- (d) It was observed that an Engineering Inspector of Udubaddawa Regional Workshop had been improperly deployed in the post of foreman whilst two officers in the post of clerk had been improperly deployed in covering up duties in the posts of clerk.

Recommendations

- i. Consider the contribution made by the Regional Workshops of the Board as a priority matter and make arrangements to supply all requirements including spare parts of quality on a timely basis.
- ii. Provide the required infrastructure facilities to maintain the capacity of the Regional Workshops at the optimum level.
- iii. Determine the required staff based on requirement by using recognized criteria.

3.7 Other Income and General Matters

3.7.1 Sale of Obsolete Buses by Public Auction

According to the Cabinet Memorandum No. 12/0422/538/010 dated 23 March 2012 and the decision of the Cabinet of Ministers No. CM/12/0422/538/010 dated 24 April 2012, approval had been granted for the sale by public auction 1,882 buses already condemned and eliminated from use and utilize the proceeds received therefrom for the purchase of new tyres, tubes, batteries and spare parts required for the maintenance of the bus fleet in operation. The following matters were observed in this connection.

- (a) According to the SLTB Board of Directors Paper No. 15 of 2012 the approval of the Cabinet of Ministers had been expected for the sale of the condemned buses by auction without cancelling the registration certificates of the buses and without cutting the chassis.

The Cabinet Memorandum or in conveying the decision approval had not been granted the sale of such buses to be auctioned with the registration certificates in the auction sale of obsolete buses eliminated from service. Action had been taken to auction the condemned buses with the registration certificate and without cutting the chassis based on a subsequent decision of the Board of Directors.

- (b) As only the buses classified as economically not advantageous for repairs and obsolete buses eliminated from running over long periods or buses proposed for condemning are offered for sale by auction. As such those buses cannot be brought back to running condition. It was observed that such sale of those motor vehicles with the registration certificate and without cutting the chassis expecting a better financial benefit, there is the possibility of making use of the registration certificates of buses decided as unfit for running for committing other irregular activities.
- (c) The audit test check of condemned buses offered for sale by auction with the certificate of registration revealed that out of 42 buses offered for auction on 18 June 2012 together with the certificate of registration, 11 buses could not be sold by auction. It was observed that in view of the above and the inability to sell by auction 18, 13, 27, 31 and 31 buses at the auctions concluded on 24 May 2012 at the Ratmalana, Moratuwa, Horana, Mathugama and Homagama respectively and the auction income thereat being less than the estimated income by a sum of Rs.4,638,000, the objective of receiving a larger financial benefit by auctioning of buses with the certificate of registration is ineffective.
- (d) Even though the Minister of Finance had, in his observations on the Cabinet Memorandum on the above Cabinet decision, proposed that the skeletons of buses remaining without being sold at the auction should be given the authorities concerned for use in the improvement of coral reefs in the sea coast around the country for the prevention of coastal erosion and create a favorable environment, that decision had not been implemented.

- (e) According to the instructions in the observations of the Minister of Finance on the Cabinet Memorandum that the proceeds of the auctions should be utilized for the purchase of tyres, tubes, batteries and spare parts required for the bus fleet and for the maintenance. Nevertheless, adequate evidence that the Head Office of the Board or the Depots subjected to the test check had implemented a formal course of action in this connection was not furnished to the Audit.
- (f) Even though the buses should have run more than 500,000 kilometers or should have completed 15 years of active operations for offering the buses for sale by auction as obsolete buses condemned and eliminated from use, it was observed from the Depots subjected to the test check that such compulsory criteria had not been taken into consideration.

Details appear below.

- i. Five buses offered for auction by 3 Depots subjected to the test check had run 214,828 kilometres to 358,517 kilometres and the operating periods ranged from 4 years to 11 years.
- ii. Twenty three buses taken off from running before the expiry of 15 years of running had been classified as condemned buses.

According to the above information most of the buses registered under Registration No. 61 or 62 had been prematurely condemned and about 30 per cent of the buses in running condition belong to this group. As such it was observed that when buses are taken off from running due to different engineering reasons, they are kept idle over long periods without being repaired promptly and brought to running condition, thus allowing such buses with substantial commercial value to be condemned prematurely.

3.7.2 Use of Board Buses for Publicity Work

The following matters were observed during the course of the audit test check of the use of Board buses for publicity work.

- (a) It was observed that in the year 2012 that a large number of buses from among the properties of the Board had been given for publicity activities and that represented about 25 per cent of the fleet.
- (b) The Depots at Panadura, Ambalangoda, Udugama, Ratmalana, Jaffna, Kurunegala and Wennappuwa had obtained Rs.65,000 to Rs.90,000 from 5 publicity institutions in the year 2011/2012 per bus.
- (c) The following matters were observed during the course of an audit of the use of Board buses for publicity by a Private Finance Company.
 - i. The copies of public notices published for the selection of the interested parties under the Branding system had not been produced during the audit. Even though a notice should be published in a national newspaper in terms of the Guideline 3.2.2 of Chapter 111 of the Government Procurement Guidelines, such action had not been taken.
 - ii. The quotation invited according to the branding and the information on the selection of this institution were not produced to the Audit.
 - iii. A general document relating to the conditions for the use of both sides of the bus for the display of publicity advertisements was produced to the Audit. The important matters that should be included in the contract of such importance had not been communicated to the parties concerned and agreed upon and as such the transaction was observed as an irregular transaction.
 - iv. The recovery of money for the advertisements by the Head Office of the Board had been explained. Nevertheless, the Manager of the Depot was not aware of the matters such as the requirement of buses obtained for

branding, the charges recoverable for buses not run, time taken for fixing the sticker, the date of its removal which the Depot Manager should have been aware of invariably.

- v. The letter allowing the use of buses to a Private Finance Company for branding purposes had been issued by the Deputy General Manager (Running) of the Board on 09 September 2011. Nevertheless, the information on 47 buses of 07 Depots released for publicity purpose before that date were revealed.
- vi. According to a note made in the relevant letter, it was observed that the sum of Rs.65,000 charged up to date on reaching the agreement for allocating 1,000 buses for the publicity project conducted by the Private Finance Company had been reduced to Rs.35,000 without a decision of the Board of Directors. In addition, a formal agreement on this project had not been entered into.
- vii. In view of the failure to identify a recognized standard for the branding of the buses, action had been taken for the use of buses for damaging the identify of Board and maximizing the income opportunities even under the recognized standard.

(d) Deficiencies observed in Branding of Buses

The following observations were observed in this connection.

- i. In providing the buses of Thalangama Depot, subjected to the test check, for branding, written instructions had not been issued. Even though branding had been done during daytime, it was observed that the recoveries for stoppage of running of buses for that purpose had not been made. Accordingly, a sum of Rs.75,000 recoverable in respect of buses bearing Nos. NA-1267, NA-1259, 63-3329, 62-2373 and NA-1260 had not been recovered.
- ii. It was observed that action had not been taken for the removal of advertisements pasted for publicity had not been taken and that even

though the buses should be painted before running, the provision for that had not been received by the Depots. The particulars of 03 buses of which the advertisements had not been removed was revealed during the test check.

3.7.3 Running of Super Luxury Buses with Board Logo

It was observed during the course of audit carried out in this connection, that several Private Bus Companies were maintaining super luxury intercity bus service on several routes by using the tickets with Board Logo used by the Board and charging double fare. Even though the Driver and Conductor of these buses are in the staff of the Board, they were on duty wearing the company uniform with its logo. The details are as follows.

Private Bus Company	Route Number	Bus Number	Date of Commencement of Bus Service
-----	-----	-----	-----
Bus Company I	100	Information not given to Audit	13 August 2011
Bus Company II	100, 154	NB-2205 NB -2206 NB-2207	04 April 2012

Information of any money from these buses received by the Depots had not been produced. Details are given below.

- i. The above routes used for running are with heavy passenger congestion and the income per kilometre per bus of the Bus Company No. I on Route No. 100 had been Rs. 118 and the income per kilometer of the Company No. II running buses on Routes 100 and 154 had been Rs.68.50.
- ii. The copies of the agreements entered into with the Bus Companies concerned in connection with the Super Luxury Bus Service and the agreements entered into in

connection with the Board Logo / Board routes, leased on sale of the rights had not been made available to the Audit.

Recommendations

- i. Taking action for auctioning of only the badly worn out buses.
- ii. Taking action for auctioning of the badly worn out and condemned buses by cancelling the certificate of registration and cutting the chassis in order to prevent the possibility of the use of the numbers of buses disposed of at present for other motor vehicles and use for running.
- iii. To organizes the auctions in a manner to obtain a higher price for buses.
- iv. Taking action for entering into agreements with clear terms and conditions with the trading institutions for branding.
- v. To create and awareness among the officers of the Depots providing buses for branding and give necessary instructions on the matter.
- vi. Instead of the opportunity provided to external parties for earning income by using the logo of the Board, take action by the Board itself to commence such services.

3.8 Sundry Projects

3.8.1 Purchase of Spare Parts required by the Board

In view of the various inactivenesses of the prevailing methodology for the purchase of spare parts, a Private Company had been selected as the supplier for the import of spare parts from July 2011 under the customs duty concession allowed by the Treasury and supply to the Depots at a concessionary price. The following observations were made in this connection.

(a) Action taken without determining the Authority Levels of Procurement Committees

The value of purchases during 5 months from 01 July to 30 November 2012 amounted to Rs. 296 million and action exceeding the powers and limits in the Guideline 2.4 of the Government Procurement Guidelines had been taken.

(b) Non-use of the Customs Duty Concession Advantageously

The following matters were observed in this connection.

- i. Action in terms of Section 7.9.2(x) of the Manual of Instruction had not been taken as only one or two suppliers had responded for certain spare parts.
- ii. Four items of spare parts and 3 items of spare parts respectively purchased by the Depots at Kegalle and Avissawella subjected to the test check had been defective. It was observed that the prices of 10 items of spare parts purchased from this supplier by 3 Depots subjected to the test check, had exceeded the prices of the external suppliers in the ranges of 6 per cent to 148 per cent.
- iii. One of the special objectives of this Project had been the upgrading the bus fleet of the Board and minimizing the operating costs of Depots by taking into consideration of the financial constraints experienced by the Depots. Nevertheless, the financial benefit expected therefrom had not been received by the Depots.

(c) Basic Conditions for inclusion in the Agreement

The period of agreement had not been specified. The agreement had been entered into with the Indian Company and the fact that the local agent is acting as an intermediary was observed. An advertising board of the local agent had been installed in the Store of the Board. Even though the Store is the property of the Board, this local agency had used the address of the store in the registration of the Company and other documents. In addition,

the changes of the buildings had been carried out by the Board according to the requirements of the agency. Even though the agency should pay the expenditure on electricity and water of the seores complex such payments made by the agency were not confirmed.

(d) Criteria for selection of Supplier

Even though the prices of 418 items out of 706 items of spare parts offered by the selected supplier being the lowest prices had been considered, the impact on the total transactions from the items for which quotations had not been received had not been taken into consideration.

Even though section 5.3.4 of the Manual of Instructions requires the examination of matters such as the experience whether the selected supplier is an institution supplying high quality spare parts had not been considered.

(e) Authority for entering into an Agreement and Background of Agreement

In entering into this agreement, the Chief Executive Officer of the Board and a private Lawyer had participated on the part of the Board whilst the specific format to be followed in terms of the Guideline 8.9.3 of the Procurement Guidelines had not been taken into consideration.

(f) Other Deviation from the Procurement Guidelines

Action deviating from the requirements in the Guidelines 5.3.11, 5.4.8, 5.6, 6.3.6, 7.9.2 and 7.11.1 respectively had been taken.

- i. Failure to sign a Bid Security or a Performance Security.
- ii. Failure to supply adequate particulars of specifications of the spare parts.
- iii. Failure to prepare the reports on bid evaluation according to the format.
- iv. Failure to pay attention to the necessary strategies in the bid evaluation.

(g) Observations on the Local Agency

Several contentious observations relating to this Company were identified during the course of audit and none of those whatsoever had been given due consideration in the selection of this supplier.

- This local agency had been registered as a Company only after signing the contract agreement.
- The value of the registered share capital was only Rs.10.
- The address of the proprietor of that is the address of the store of the Board.
- Failure to take action in connection with the feasibility of the supplier shown under section 7.10 of the Manual Instructions.

(h) Transport of Spare Parts

Even though the terms and conditions for providing transport of spare parts to the Board are included in the relevant agreement the supplier had not fulfilled that requirement.

(i) Value of Spare Parts imported under the Customs Duty Concession

Even though it was required in audit to compute the value of the spare parts imported from the commencement of the agreement and the value of the Customs Duty concession allowed, the correct value confirmed by the Sri Lanka Customs could not be obtained. Instead of that, the value of the spare parts computed according to the books and records of the local agency only had been furnished to the Audit.

3.8.2 Bus Repairs by installing New Engines

New engines for the rehabilitation of buses had been purchased during the period from the year 2007 to the year 2010 and distributed to each Depot. The matters revealed during the course of the test check of the engines so supplied are given below.

Depot	Number of Engines Supplied (2007-2010)	Year of Engine Installation
Anuradhapura	07	2009/2010
Moratuwa	07	2008/2009/2010
Kadawatha	04	2009
Yatinuwara	08	2009/2010
Kegalle	08	2007/2008/2009
Nittambuwa	09	2007/2009

Sixty engines valued at Rs.80,640,000 and 32 engines valued at Rs.43,008,000 at the rate of Rs.1,344,000 per engine had been purchased from a private institution on 09 July 2010 and 24 May 2010 respectively for the Board under the approval of the Procurement Committee of the Ministry of Transport.

It was observed that this Engine Project is a very successful Project and that it is possible restore buses that cannot be run to normal condition at a cost much less than the cost of purchasing new buses.

Recommendations

- i. In view of the Board being a major customer of the Companies manufacturing buses, formulate a methodology for the supply of spare parts through those Companies to be implemented when buses are purchased.
- ii. To take action for selecting better suppliers for the purchase of spare parts through a competitive process by strictly following the Procurement Procedure.
- iii. Pay greater attention to this Project, discuss with the Treasury for making adequate provision for the Project.
- iv. Implement a follow-up procedure on the purchase, distribution, installation and maintenance of engines.

3.9 Obtaining Smoke Emission Test Certificates for Buses of the Board

The bus fleet of the Board as at the end of the year 2011 had been 7,921 and the following matters were observed during the course of test checks on obtaining the Environment Protection Permits for those buses.

- (a) The Director (Planning) of the Ministry of Transport had informed the Chairman of the Board that Environment Protection Licence should be obtained in terms of the Circular No. SLTB/HO/DGM/I/2011/1 dated 05 October 2011, the amended Central Environmental Authority Act, No. 47 of 1980 and the Motor Vehicles (Control and Certification of Smoke Emission) Orders No. 01 of 2008 published in the Gazette Extraordinary No. 1533/17 of 25 January 2008 and also reminded, that action should be taken to inform him after taking necessary steps to obtain Environment Protection Permits for all Depots without delay.
- (b) The test check of 10 Depots revealed that only the 02 Depots at Moratuwa and Nittambuwa had taken action to obtain the Smoke Emission Test Certificates. Even those Depots had taken action for obtaining Smoke Emission Certificates only for 38 per cent and 13 per cent of the total fleets of buses.
- (c) It was observed that the failure to send the buses for the smoke emission testing been the malfunctioning of the oil filters.

Recommendations

- i. To take action in terms of the provisions in the National Environmental Act, No. 47 of 1980 and the circular instructions issued on that basis.
- ii. Release of adequate provision to Depots for this purpose.

3.10 Lands, Buildings and other Properties of the Board

The matters revealed during the course of the test check of the lands, buildings and other properties of the Board are given below.

3.10.1 Particulars of Lands belonging to the Board

According to the observations made during the course of the audit the lands on which Depots are situated, the lands on which the Bus Stands of main cities, Depot Vehicle Parks, Workshops of the Board and the Stores, the lands belonging to the Head Office and several other lands belonging to the Board could be identified. In terms of the Provincial Councils Act, No. 42 of 1987, the lands belonging to the Board had been acquired by the respective Provincial Councils through the decisions of the Cabinet of Ministers and only lands of Depots and Workshops are directly used by the Board. The title deeds of the lands used by the Board had not been furnished to Audit. Nevertheless, in the collection of information by the Audit, the information requested from the Depots were produced by all Depots.

3.10.2 Ownership of Lands

Even though it was not possible to obtain the particulars of the full extent of the lands owned by the Board during the course of audit, the information supplied to the Audit and Management Committee on 31 March 2012 on 06 Districts had been furnished. Nevertheless, it was not possible to be satisfied in Audit with regard to the completeness of that information. The examination of the information obtained from several Depots subjected to the test check and the information in the incomplete report furnished by the Board revealed that many problems had emerged with the regard to the ownership of those lands.

3.10.3 Incompleteness of Information on Lands furnished

The existence of problematic situations with regard to all 39 blocks of land supplied by the Board to the Audit and Management Committee had been reported as given below.

- i. Lands not used and abandoned by the Board.
- ii. Lands used by other parties without formal acquisition.
- iii. Lands without clear title.
- iv. Lands used without authority.
- v. Lands vested in the Defence Forces and Local Authorities.

3.10.4 Identification and Control of Lands

Even though the Legal Division of the Board was directly responsible in connection with matters relating to the lands owned by the Board, it had not taken action to identify the extent of lands owned by the Board and established the ownership of lands by surveying the lands where necessary. In view of this situation it had not been possible to update the Registers of Lands over a long period resulting in the inability present the lands in the financial statements. As such, it had not been possible since the inception of the Board to present the annual financial statements appropriately.

3.10.5 Land of the Central Bus Stand of the Board

The following matters were observed in this connection.

- i. Thirty seven trade stalls situated in the premises of the Central Bus Stand of the Board had been leased out since the year 1979 and those trade stalls are used under the old lease agreements for a minimal lease rental.
- ii. The lease agreements of those trade stalls had been entered into in the year 1979. Some of the lessees may not be among the living at present, resulting in other persons using such trade stalls. It was also observed that disputes had emerged in

connection with certain trade stalls. In view of lack of valid lease agreements or any letter extending the period of the lease agreement or the absence of any revision of lease agreements in conformity with the present conditions, certain businessmen had filed cases against the Board to enjoy the unfettered tenure of the trade stalls.

- iii. Even though the lease periods of the trade stalls in the premises of the Central Bus Stand had expired, action had not been taken to revise the lease rental of the trade stalls based on the square area and the present condition and lease them under an appropriate system.
- iv. This area in Pettah is major trading area highly populated by commuter public and attention had not been paid for the development of the land with better public utilities providing maximum service to the public. In view of the irregular utilization of the property in the long term, it has become necessary for the Board's title to the trade stalls.

Even though it is the responsibility of the Management to pay adequate attention to this matter as an alternative source for earning money due to the financial constraints faced by the Board, it was observed that the management had failed to take such action for the discharge of its responsibility.

3.10.6 Lack of Proper Maintenance of Depot Buildings

The buildings including the Stores of Ratmalana, Avissawella, Thalagama and Nittambuwa Depots inspected were in insalubrious condition due to lack of proper maintenance over long periods. Even though the repair work needed had been brought to the notice of the Civil Engineering Division of the Head Office of the Board from time to time, suitable action had not been taken. As such it had been an obstacle in the maintenance of running and administration work of the Depots of the Board.

3.10.7 Maintenance of the Buildings

It was observed that any maintenance work or repair work of the Depot Office Buildings, Engineering Division, Lavatory Systems, Drainage system and Depot Grounds had not been carried out over long periods. It was observed that there were badly dilapidated tin sheet covered old buildings existed in the Depot whilst there were holes all over the Depot Grounds and that the grounds were very rough as the ground had not been tared.

3.10.8 Environment in the Depot Ground

In view of dumping of obsolete buses taken off from running or parking of buses, and discarded tyres piled up in different places have created mosquito breeding places in the Depot Grounds. Environmental problems had emerged due to lack of a proper drainage system for the disposal of water polluted with oil discarded by the Engineering Divisions and the Bus Servicing Divisions. Instances of allegation made by the Public Health Inspectors and the public regarding matters of public health as well as instances of legal action taken in that connection were observed at the Ratmalana, Nittambuwa and Kadawatha Depots.

Recommendations

- i. Compilation and maintenance of a formal Register of Assets by identifying and recording the lands and buildings belonging to the Board.
- ii. Identify the properties of the Board with problems relating to the ownership and take action to establish the ownership.
- iii. Take action for the valuation of all lands and recover lease rent in conformity with the current value in connection with leased properties.
- iv. Take legal action on lands and buildings with disputes of ownership at present.
- v. Implement a course of action for the recovery of arrears of lease rental.

- vi. Identify the repairs necessary for the Depot Buildings of the Board and the Civil Engineering Division of the Board should prepare a plan of repairs to the Depot buildings maintenance and carry out maintenance on a priority basis according to the financial feasibility.

3.11 Staff Administration

The observations made in connection with the staff administration are given below.

3.11.1 Lack of an Approved Staff

According to the Department of Management Services Circular No. 06/2006, the approved staff should be determined, prepare the Schemes of Recruitment and Promotions for that should be prepared and obtain the approval thereto. According to this situation, it had not been possible to follow a formal methodology in matters such as the determination of posts of the staff, appointment, promotion and the salary scales. The following observations are made in this connection.

(a) Recruitment

Even though the Schemes of Recruitment and Promotions for all posts of Statutory institutions should be prepared and approval obtained from the Department of Management Services, the Board had been making recruitments contrary to the above requirements.

(b) Recruitment to Different Grades on Permanent Basis

Despite the unavailability of an approved staff, the employees appointed in the year 2010 included appointments to 804 posts of Drivers 636 to posts of Conductors and 234 for other posts of 12 Regions on the permanent basis. These recruitments had not been made according to a specific methodology.

(c) Recruitment on Contract Basis

Even though there is no approved staff for the Head Office of the Board, Officers had been recruited on the contract basis for 6 main posts. The particulars of these recruitments were not furnished to the Audit.

3.11.2 Planning of Staff Requirements

In view of the unavailability of an approved staff for the Sri Lanka Transport board, the letter No. SLTB/TS/10/2011 dated 10 October 2011 of the Chief Executive Officer had specified that there should be a staff of 38,500 for 7,000 buses in the year 2012 based on the employee ratio of 5.5 per bus applied from the year 2005. The actual number of staff that should be available based on the actual number of buses in running condition in the years 2009, 2010 and 2011 in accordance with that ratio and the excess staff reported, accordingly are as given below.

<u>Particulars</u>	<u>Years</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Number of Buses in Running Condition	5,172	5,472	5,335
Number of staff according to ratio of 5.5	28,446	30,129	29,342
Actual staff	35,214	34,772	34,263
Excess Staff	6,768	4,643	4,921

Even though enquiries on the excess staff that existed in the Board were made on several occasion by Audit Queries in the years 2009 and 2010, that position had not been rectified. According to the information obtained from the Depots by the Board there were reports of excess staff as well as shortages. But action had not been taken for the attachment of the staff in order to balance such excesses and shortages.

3.11.3 Other Weaknesses

Other weaknesses revealed during the examination of the staff management are given below.

- i. An approved methodology had not been followed in the recruitment and promotion of employees.
- ii. The Management Services Circular that should be followed had not been followed.
- iii. Most of the appointments had been political appointments.
- iv. Placement of staff had not been made by identifying the excesses and shortages of staff in order to balance the staff.
- v. No-pay leave obtained by the Drivers and Conductors except in the case of mechanical reasons, resulting in the inability achieve the optimum running of the bus fleet and loss of income.
- vi. Unusual delays in disciplinary action.
- vii. Inability to obtain the required service according to the specified quality despite the higher salaries paid for inappropriate appointments made.

3.11.4 Salaries and Other Statutory Payments

(a) Payment of Salaries

The examination of several Depots of the Board revealed instances of delays in the payment of salaries due to the unavailability of provision for the payment of salaries or the non-payment of the full salary, thus resulting in the deterioration of the jobs satisfaction of the staff.

Payment of salaries by Depots is made under two stages and instances of the salary paid on 08 of each month in parts and the payment of salary due on 26 after delays of 02 to 07 days were observed.

Delays payment of salaries for April and May 2012 by 30 days and 12 days respectively were observed at the examination of the Yatinuwara Depot carried out on 08 June 2012.

In addition, it was observed that the salary payable by Nittambuwa Depot on 26 May 2012 had not been paid either in full or the part even by 31 May 2012.

(b) Payment of Employees' Gratuity

In terms of provisions in the Payment of Gratuities Act, No. 12 of 1983 all employees of the Public Corporations, Boards, Co-operations and the Private Sector, who have completed 5 year period of service, should be paid one half months salary for each year of service as gratuity. In the case of the employees of the Board, it was indicated that the gratuity at salary of 01 month per year is payable for the total period of service. The non-payment of the gratuity within 30 days after termination of service is subject to different surcharges.

In view of the failure to adhere to this requirement, the amount payable by 15 Depots and 2 Regional Officers of the Board for the year 2011 totalled Rs.414,362,323 and the total of the surcharges payable thereon amounted to Rs.127,463,944 both totaling Rs.541,826,267.

In view of the inadequacy of the intervention of the Commissioner General of Labour who is the implementing authority of the provisions in the Act, in the controversy emerged from the non-payment of gratuities to the employees of the Board over long periods and the limitation of the powers devolved on him on the matter has resulted in the problem developing into the irresolute level.

(c) Remittances to the Provident Fund

The Provident Fund of the Board established in terms of the provisions in the Employees' Provident Fund Act, No. 15 of 1958 is a private and Independent Provident Fund approved only for the employees of the Board. A sum equivalent to 10 per cent of the salary of the employee is recovered from the pay sheet and remitted to the Fund. The Board, as the employer should contribute 12 per cent of the salaries of all employees to the Fund whilst a sum equivalent to 3 per cent of the salaries of all employees of the Board should be remitted to the Employees' Trust Fund.

Nevertheless, the test check revealed that, a sum of Rs.338,999,954 deducted as contributions from the salaries of the employees of 18 Depots during the period January 2011 to June 2012 had not been remitted to the private accounts of the members of the Fund.

In view of the inability of the employees to obtain their Provident Fund entitlement at the specified time, the Board had to pay surcharges thereon. In addition, the other privileges and assistance such the life insurance benefits, the entitlement to obtain medical treatment and obtaining loans which are entitled to the members in terms of provisions in the Employees' Provident Fund Act, No. 15 of 1958 as amended by the Employees' Provident Fund (Amendment) Act, No. 2 of 2012 had not been implemented.

Recommendations

- i. Establishing a staff approved by the Department of Management Services.
- ii. Balancing the staff excesses and shortages in the Regional Depots.
- iii. Introduction of procedures for recruitment, transfers and promotions to build up of the confidence, job security and employee expectations among the staff.
- iv. To take action for the introduction of a speedy course of action based on the Legal Division Circular No. 01 of 1983 for the payment the gratuity entitlement due to the employees leaving the service of the Board, in terms of the provisions in the Payment of Gratuity Act, No. 12 of 1983.
- v. Payment of gratuities on the above methodology to the employees retiring hereafter on the date of retirement itself.
- vi. In the case of officers to whom the gratuity has not so far been paid introduce a system with their concurrence for the payment of their gratuities in installments in order to minimize the legal action by such officers.
- vii. To take immediate action to credit to the accounts of the members of the Fund the arrears representing the recoveries made from the salaries of the employees but not so far remitted up to date to the Provident Fund of the Board and the arrears of contributions to the Fund payable by the Board to the members accounts of the Fund.

4. Conclusion

- i. The Sri Lanka Transport Board has been established for the purpose of providing a safe, reliable and comfortable road passenger service to the public at a fair system of bus fares. Nevertheless, it is concluded that the effectiveness of the operational activities that the Board should perform by utilizing its resources and the staff at the maximum efficiency and effectiveness is inadequate.
- ii. In view of the non-deployment of the bus fleet of the Board with maximum efficiency for the public transport service due to the engineering and running reasons it is concluded that immediate steps should be taken to fast track all bus repairs, to update servicing and maintenance of buses, and for the efficient management of the assets, mechanical sections and the human resources in order to achieve those objectives.
- iii. It is concluded that all procurement work should be handled in compliance with the Government Procurement Guidelines as the procurements made have not resulted in favourable terms to the Board.
- iv. It is concluded that the human resources management should be handled in a manner to build up job security and employee expectation and the statutory payments due to the employees should be made as stipulated as the non-maintenance of a staff adequate only for the requirements and the failure to pay the salaries and other statutory payments due to staff as stipulated had created employee dissatisfaction, leaving employment resulting in the erosion of employee efficiency.