

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Sri Lanka Transport Board for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions of the National Audit Act No. 19 of 2018 and the Financial Act No. 38 of 1971 read in conjunction with the Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, because of the significance of the matters discussed in Paragraph 1.5 of this report, the accompanying financial statements of the Board do not give a true and fair view of the financial position of the Board as at 31 December 2024, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for adverse opinion

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

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

1.3 Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit Procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of the accounting policies adopted by the management and the fairness of the accounting estimates used the related disclosures
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditors report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with reference to relevant standard	Comments of the Management	Recommendation
(a) As per the paragraph 39 of Sri Lanka Accounting Standard No. 16 (LKAS 16) – Property, Plant and Equipment, if an asset’s carrying amount is increased as a result of a revaluation, the increase should be recognized in other comprehensive income. Even if the surplus of Rs. 1,576,346,000 in the revaluation of 08 items of land and buildings owned by the Board during the year under review had been accounted in the revaluation reserve, the total comprehensive income for the year under review had not been deducted by that amount as the said value was not presented under other comprehensive income in the statement of comprehensive income. Also, in accordance with paragraph 36 of that standard, if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs should be revalued. However, the Board had revalued only a part of the land and buildings in the years 2023 and 2024.	The value pointed out in the audit report is correct, and the steps will be taken to adjust this value in the comprehensive income within the financial statements of the year 2025.	The value of the revaluation surplus occurred from the revaluation of property, plant and equipment should be presented under other comprehensive income in the statement of comprehensive income.
(b) As per the paragraph 20 of the Sri Lanka Accounting Standard No. 07 (LKAS 07) on Statement of Cash Flows, the non-cash flow income should be adjusted to net profit. However, the stock adjustment account balance of Rs. 7,298,811 and the fuel stock surplus of Rs. 5,869,576, which had been	These values are non-cash items and only the profit adjustment is done. This adjustment has been done as pointed out by an audit query.	The transactions should be accurately adjusted to the cash flow statement.

presented under other income, had been deducted from the net profit for the year in the cash flow statement and the said values had been added again to the net profit under the operational activities.

- (c) Although the cash flow statement should be prepared based on net profit before tax in accordance with the Sri Lanka Accounting Standard No. 07 (LKAS 07); statement of cash flow, it had been prepared based on the profit after tax. Consequently, the tax value of Rs. 329,680,000 paid to the Treasury during the year under review had been unable to be adjusted to the statement of cash flow.
- It could not be shown separately by mistake. The actions will be taken to report it correctly when preparing the cash flow statement for the year 2025.
- The cash flow statement should be prepared in line with the accounting standards.
- (d) Although the events; that provide evidence at the date of reporting, occurred between the reporting date and the date when the financial statements are issued should be adjusted in the financial statements as per the Sri Lanka Accounting Standard No. 10 (LKAS 10); Events after the Reporting Period, the decision of the Case No. 2004/M that had been filed against the Board regarding a road accident as at the end of the year under review had been declared by the Bandarawela District Court during the period after the reporting date. Accordingly, although an amount of Rs. 6,951,216 was to be paid to the aggrieved party, the steps had not been taken to account this balance in accordance with the Sri Lanka Accounting Standards. Consequently, the Board's loss had been understated by that amount as at the end of the year under review.
- The steps will be taken to make allocations regarding all legal issues when preparing the financial statements for the year 2025.
- The cash flow statement should be prepared as per the accounting standards.
- (e) According to paragraph 07 of Sri Lanka Accounting Standard No. 16 (LKAS 16), the cost of an item of property, plant and equipment should be recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity. However, the buses worth Rs. 1,367,754,792; completely damaged beyond to be used, and other vehicles worth Rs. 1,041,195; obsolete beyond to be used, had not been removed from the property, plant and equipment account as at the end of the
- A paper was presented to the Director Board meeting to get the assistance of an external organization to study and obtain a report on fixed assets, and the further proceedings will be done according to the decision given by the Board of Directors.
- The value of completely run-down buses should be removed from the property, plant and equipment account.

year under review. Consequently, the property, plant and equipment balance had been overstated by that value.

- (f) As per the paragraph 07 of Sri Lanka Accounting Standard No. 16 (LKAS 16) - Property, Plant and Equipment, an item of property, plant and equipment should be recognized as an asset based on their ability to generate future economic benefits for the entity and the ability of measuring the cost reliably. However, 20 buses owned by the Expressway Transport (Private) Company had been taken over at an assessed value of Rs. 109.4 million in the year 2023 and a sum of Rs. 63.45 million had been paid for that as at the end of the year under review. Conversely, the amount of Rs. 45.95 million further payable had not been accounted. Also, the assessed value of the respective 20 buses had not been accounted under property, plant and equipment. When the Expressway Transport (Private) Company was taken over in the year 2023, the value of the buses taken over by the Board amounting to a sum of Rs. 109.4 million had been offset from the value of Rs. 114.97 million that existed as the liability of the said company, and the liability value of Rs. 5.57 million remained further had not been accounted as a liability of the Board.
- A final report subsequent to the completion of the liquidation activities of this Expressway Transport (Private) Company has not been submitted to the Sri Lanka Transport Board. The Sri Lanka Transport Board has not been given a legal right to the assets and liabilities of the said company.
- The assets that had been acquired should be accounted as per the accounting standards.
- (g) According to Sri Lanka Accounting Standard No. 37 (LKAS 37) - Provisions, Contingent Liabilities and Contingent Assets, if the Board has a present obligation arising from a past event and as there is a possibility of outflow of money for settling the obligation, and if the provisions should be made for the said amount if a reliable estimate has been made of the amount of the obligation. However, the provisions had not been made and accounted in respect of the amount of Rs. 2,171,281,116 which had been identified as the amount to be paid as the compensation in terms of the road accidents in the year under review.
- The steps will be taken in future to find particulars on this matter from the legal division and to make relevant notes.
- The provisions should be allocated in line with the accounting standards.

1.5.2 Accounting Policies

Audit Observation	Comments of the Management	Recommendation
Although 5,297 buses with a net value of Rs. 1,000 and 04 buses with no net value as at of the end of the year under review owned by the Board are shown in the final accounts, 93 percent of those buses had been used for operational activities even by present and no steps had been taken to revalue and account those buses.	These buses are being used for transportation activities within the Sri Lanka Transport Board. A paper has been submitted to the Board of Directors to get the services of an external audit firm in order to give a report comparing the fixed asset register with the ledger account for the revaluation of assets.	The asset class to be revalued should be identified, revalued and accounted.

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) A sum of Rs.278, 822,033 had been deducted as the interest income in the year under the adjustments made to the net profit before tax under the operating activities of the cash flow statement and the said value had been added again as a source of cash inflow under the investing activities. But since the receivable fixed deposit interest income of Rs.9, 497,720 existed in the end date of the year under review had been adjusted as interest received under the investing activities, the interest received had been overstated by the same amount.	The relevant error had occurred. After taking into account this matter in the preparation of the financial statements 2025, the action will be taken to prepare the financial statements.	The financial statements should be accurately prepared.
(b) The road document income was Rs.1,970,861,418 received from running super luxury buses belonging to Ashok Leyland company on expressways in the year under review and an amount of Rs.580,292,773 had been incurred as fuel and toll charges for that. The said income and expenditure had not been taken into the statement of comprehensive income in the year under review and only 15 percent commission of Rs.208, 585,297 receivable to Board had been shown in the statement of comprehensive income.	A Board Paper had been submitted to the Board of Directors to prepare an accurate method. On decision of that, the accounting will be made.	The income and expenditure should be properly identified and accounted

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| (c) | Even though two buses at a cost of Rs.15,672,007 belonging to Katubedda Super Luxury Tourist Transport Service and Mathugama Depot had met with an accidents in 2014 and 2023 respectively and had become condemned, no action had been taken to remove such buses from property ,plant and equipment schedule and remove from buses account also. | It had been informed to Deputy General Manager (Technical) to remove these two buses from the fleet of buses. Accordingly, the future action will be taken in relation to these buses. | The action should be taken to remove the condemned assets from the books on the relevant approval. |
| (d) | Since the bank overdraft balance of Rs. 4,919,470 as per amended cash book of Maharagama and Angoda Depots at the end date of the year under review had been taken as Rs.6, 151,760 in the financial statements, the bank overdraft balance had been overstated by Rs.1, 232,290. | This will be rectified in the year 2025. | The ledger account balances should be accurately taken into the financial statements. |
| (e) | Since unidentified credit balances of Rs.4, 585,117 of Bataloa Depot had been shown as a bank overdraft in the financial statements, the bank overdraft had been overstated by same amount in the financial statements. | The balances related to these accounts are inactive and the relevant rectifications will be made in the year 2025 after noting down the relevant transactions. | The bank reconciliations should be accurately prepared as per the bank statements and accounted. |
| (f) | Even though a sum of Rs.1, 544,568 between 05-10 years and Rs.12, 449,383 between 01-05 years had existed within the trade debtor balance of Rs.14, 571,053 at the end of year under review, no step had been taken to make provision for impairment losses for the year under review. | The cash had been brought forward without settlement due to erroneous accounting. The relevant settlements had been made within 2025. | The provision for impairment losses for trade debtors should be made. |
| (g) | A sum of Rs.21,500 between 01-02 years, Rs.13,827,779 between 02-05 years, minus value of Rs.7,261,972 and Rs.2,079,469 between 05-10 years and Rs.32,007,986 and a minus value of Rs.813,428 more than 10 years had existed in the money in transit balance of Rs.86,956,445 at the end date of year under review. Though the money in transit should be received to the bank of the Board within the first days of the next accounting year, these values had existed in transit for a long time. Further, the management had failed to verify the above minus value of Rs.8, 075,400. | These balances had generated due to errors and deficiencies occurred in the accounting existed in long time. It will be examined in the future and referred to the Internal Audit Division. The action will be taken as per the instructions given by them. | The measures should be taken to rectify after identifying the errors and deficiencies of the minus values existed for a long time. |

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| (h) | A sum of Rs.53, 587,118 receivable for the transport of hospital staff in Covid pandemic period in 2020 and 2021 had not been identified and accounted as an income for the relevant years and accounted as income in the current year. Due to that, the financial results and the financial position of the relevant years had not been accurately depicted in the financial statements. | The money receivable for transport services had not been accounted in the relevant years. After that, it had been highlighted by an audit query and this money receivable had been accounted in 2024 and made the relevant notes. | The income related to the year should be identified and accounted in the year itself and the income identified in relation to the preceding years should be adjusted to the previous period of time. |
| (i) | Bikshu coupons of Rs.5, 443,957 belonging to 07 regions in relation to the transactions occurred among the internal regions of Board and a sum of Rs.89, 706,455 in relation to 124 receivable account balances for internal transactions had existed in the trade and other receivable balance of Rs.89, 706,455 at the end date of year under review and said balance had been shown as a receivable balance in the financial statements and the receivable balance had been overstated by that amount. | These balances which are more than 10 years are the transactions occurred in internal depots. These balances had continuously existed due to the errors occurred in making relevant notes and the instructions will be given to relevant officers to rectify these balances in the future. | The internal transactions should be accurately accounted through the current accounts. |
| (j) | A sum of Rs.8, 603,078 generated due to accounting errors and unidentified from 06 depots and 04 region offices at the end date of the year under review had been accounted as receivable income. Due to that, the trade and other receivable balance depicted in the financial statements had been overstated by same amount and an amount of Rs.492, 003 exceeded more than 10 years, Rs.2, 600,222 between 05-10 years and Rs.5, 510,853 between 02-05 years had existed within that. | These balances had been referred to the Audit Division and the reports provided by them will be submitted to the Board of Directors. The action will be taken as per the instructions given. | The action should be taken to rectify having identified the accounting errors and unidentified balances. |
| (k) | Even though the parties related to a value of Rs.1,295,263 existed between 02-05 years for the fuel supply for the external institutions by head office had paid the money to Board, the debtors balance at the end date of the year under review had been overstated by same amount due to accounting it as other income. | The error occurred had been rectified in 2025. The instructions had been given to the relevant officers to account with the responsibility. | The internal control related to the accounting should be strengthened. |
| (l) | Since a trade and other creditors debit balance of Rs.26, 288,120 in relation to 19 creditors of 09 depots at the end date of the | After examining on this matter, the action will be taken to correctly adjust | The creditors' balance should be accurately identified |

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| <p>year under review, the trade and other payable balance had been understated by same amount in the financial statements.</p> | <p>at the end of year 2025.</p> | <p>and accounted.</p> |
| <p>(m) The company had filed an arbitration case due to non-payment for spare parts purchased from a company and it had agreed to settle by paying US\$ 3,076,068 in the year 2023. Although the amount had been paid by the head office as per the judgment, the trade creditors' balance in the financial statements had been overstated by that amount due to the existence of a creditor balance of Rs. 397,247,100 in the regional offices and regional workshops.</p> | <p>Since these are balances that arose due to accounting errors and mistakes, actions will be taken to investigate this in the future and make the necessary corrections.</p> | <p>Reconciliations of creditor and debtor accounts at regional offices and regional work sites should be carried out periodically.</p> |
| <p>(n) Although, according to the financial reporting framework, the liability should arise as a result of a past transaction or event, future economic benefits will flow to the entity in settlement and there should be a present obligation in order to recognize a liability, there was a trade and other payables balance of Rs.269,047,118 at the end of the year under review, which was not identifiable and arose due to incorrect accounting entries.</p> | <p>The actions will be taken to look into this and correct within 2025.</p> | <p>Action should be taken to identify and correct incorrect accounting entries and unrecognized balances.</p> |
| <p>(o) Due to the fact that the internal transfer transactions carried out between the internal regional units of the Transport Board amounted to Rs.32,885,995 relating to 45 regional units, which was stated under trade and other payables in the statement of financial position, the balance payable had been overstated by that value.</p> | <p>The relevant officials were instructed to correct these balances within the year 2025.</p> | <p>Internal transactions should be accurately accounted through current accounts.</p> |
| <p>(p) Although according to the daily stock and sales reports of the Rathmalana petrol station, the fuel and lubricant sales revenue for the year under review was Rs. 477,560,510 and due to the fact that it was accounted as Rs.475,951,983, the accounting of sales revenue had been understated by Rs.1,608,527.</p> | <p>Instructions have been given to avoid such errors and mistakes in the future.</p> | <p>Internal controls should be strengthened to ensure that revenues are accurately accounted.</p> |

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| (q) | Since according to the records of the Rathmalana petrol station, the diesel stock worth Rs. 335,413,584 purchased in the year 2024 was shown as Rs. 336,308,757 in the final accounts, a sum of Rs. 895,173 had been overstated in the final accounts and a sum of Rs. 2,410,411 due to the petrol stock purchased during the year 2024, which was Rs. 131,718,653, being reported as Rs. 129,308,242 in the final accounts had been understated. | There have been errors and omissions in the accounting of purchases and even if they are corrected, this will not affect the profit for the year 2024. | Internal controls should be strengthened so that purchases are accurately accounted. |
| (r) | Due to the fact that the amount of Rs.5,913,377, which was Rs. 2,913,736 receivable for Bhikkhu coupons and Rs.2,999,641 receivable for police vouchers, had been accounted as other expenses, the expenses for the year under review had been overstated by that amount and the current assets had been understated by Rs. 2,999,641 in the financial statements. | Actions have been taken to inform all depots about the correct way to maintain accounts regarding Bhikkhu coupons and police vouchers. | Internal control over the accounting of transactions should be strengthened. |
| (s) | The value of Rs. 2,513,468 due to the Kirindiwela Depot for the transportation of hospital staff was debited to the accumulated profit of the previous year in the years 2020 and 2021, the previous year's profit and receivable balance in the financial statements had been understated by that value. | Relevant corrections have been made in the year 2025. | Receivables should be accounted accurately. |
| (t) | The balance of the Kirindiwela Depot receivable of Rs.1,552,950 for the months of November and December in the year under review was not recognized in the income statement of the year under review but it had been adjusted against the accumulated profit of the previous year and written off from the receivable account. As a result, the balance of trade and other receivables in the statement of financial position had been understated by that value and the loss for the year under review had been understated. | Relevant corrections have been made in the year 2025. | Balances receivables should be accounted correctly. |
| (u) | Due to the fact that the amount of Rs.2,941,638 in police vouchers receivable from the Kirindiwela Depot from January to December 2024 was adjusted to the accumulated profit adjustment account of the previous year instead of being debited to the | The report provided by the Internal Audit Division regarding these balances will be forwarded to the Board of Directors and further | Balances Receivables should be accounted correctly. |

receivable account, receivable balance and the accumulated profit from the previous year had been understated in the financial statements.

action will be taken based on the decision given.

- (v) The amount of Rs.1,000,000 payable to the Rajarata Regional Office, which was held in the accounts of the Kekirawa Depot as an internal creditor balance, had been adjusted against the accumulated profit and removed from the books during the year under review. Since this was an internal creditor balance of the Board, the accumulated profit had increased by that amount due to the adjustment against the accumulated profit when it was removed from the books.

This note was used to correct errors that occurred during a currency transfer between internal depots.

Internal controls related to accounting for the Board's internal transactions should be strengthened.

1.5.4 Unreconciled control accounts or reports

Item	Value as per financial statements (Rs.)	Value as per corresponding reports (Rs.)	Difference (Rs.)	Comments of the Management	Recommendation
(a) Motor vehicle costs	331,764,253	141,593,116	190,171,137	Steps will be taken to resolve the difference between the balance in the Property, Plant and Equipment register and the balances in the financial statements in the future.	Balances in schedules, ledger accounts and financial statements should be compared and made corrections.
(b) Bus cost	32,443,839,162	30,161,984,715	2,281,854,447	The difference between the balance in the Property, Plant and Equipment register and the balance in the financial statements will be resolved in the future.	Balances in schedules, ledger accounts and financial statements should be compared and made corrections.

(c)	Office equipment costs	255,849,892	178,779,950	77,069,942	The difference will be resolved in the future.	Accounts and documents should be compared and corrected.
(d)	Other asset costs	75,842,984	70,624,478	5,218,506	The difference will be resolved in the future.	Accounts and documents should be compared and corrected.
(e)	Ticket machines cost	266,417,397	261,441,077	4,976,320	The difference will be resolved in the future.	Accounts and documents should be compared and corrected.
(f)	People's Bank Savings Account Balance of Maharagama Depot	61,307,500	57,027,391	4,280,109	The difference will be resolved in the future.	Bank balances should be accurately accounted.
(g)	Trade Debtor balance	98,034,414	2,041,325	95,993,089	The difference will be resolved in the future.	Accounts and documents should be compared and corrected.
(h)	Trade creditor balance	1,592,675,315	981,294,735	611,380,580	The difference will be resolved in the future.	Accounts and documents should be compared and corrected.

1.5.5 Unauthorized Transactions

Description of unauthorized transaction	Comment of the Management	Recommendation
During the year under review, Rs.455,745,630 comprising Employees Provident Fund payables of Rs.118,371,641, miscellaneous creditors of Rs.83,545,053, Fines and penalties of Rs.234,918,763, Salary advances outstanding of Rs.4,725,743, miscellaneous debtors of Rs.2,623,156 and other receivables of Rs. 525,000 and a balance of Rs.11,036,274 relating to 19 accounts receivable and payable by the depots belonging to the Rajarata Regional Office were written off from the books during the year under review without obtaining approval as	The actions were taken to correct errors in the provident fund accounts. It is stated that the errors in the fines and loans accounts have been corrected.	The procedure for write-offs as per the circular provisions should be followed and approval should be obtained.

per the provisions and adjusted to the accumulated profit of the previous year. As a result, the loss for the year under review had been understated.

1.5.6 Written Evidence not made available for Audit

Item	Amount Rs.	Audit Evidence not Provided	Comments of the Management	Recommendation
(a) Non-performing accounts	1,290,782,782	Detailed schedules to confirm the balances.	A special committee has been appointed for this purpose. Recommendations will be received and action will be taken in the future.	Detailed schedules should be prepared and further action should be taken as per the regulations.
(b) Balance of Trade and other receivables	75,166	Source documents and detailed schedules.	It was not possible to find any information about these balances, which had been prevailing over 10 years, and the recommendations will be referred to the Internal Audit Division and action will be taken in accordance with the recommendations.	An investigation should be conducted by a committee and further action should be taken in accordance with regulations.
(c) Trade balance receivable	26,412,773	Source documents and detailed schedules.	It was not possible to find any information about these balances, which had been prevailing over 10 years, and the recommendations will be referred to the Internal Audit Division and action will be taken in accordance with the recommendations.	An investigation should be conducted by a committee and further action should be taken in accordance with regulations.

(d) Advance Balance	3,257,762	Detailed schedules to confirm the balances.	The employees related to these balances have left the service or have been banned from service due to disciplinary procedures and action will be taken in the future as per the recommendations of the Internal Audit Division.	Detailed schedules should be prepared and further action should be taken as per the regulations.
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1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions, etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Sections 10 and 16 of the Employees' Provident Fund Act, No. 15 of 1958	The employer is required to pay the Employees' Provident Fund contributions on or before the closing date of the following month in respect of each month and surcharges are levied on late payments of contributions. The Board had paid Rs. 26,505,105 as surcharges during the year under review due to the late payment of the contributions of the Employees' Provident Fund.	At present, provident funds are being paid properly. There are no lawsuits or complaints.	Contributions of the Employees' Provident Fund must be paid in terms of regulations.
(b) Sections 16 and 27 of the Employees' Provident Fund Act, No. 46 of 1980, as amended by Act, No. 03 of 1982	Although the employer was required to pay the contributions of each month on or before the closing date of the following month, the employer had failed to do so and paid a surcharge of Rs. 3,079,098 during the year under review due to late payment of contributions.	Payments have been made continuously since September 2015, and all accountants have been instructed to act in accordance with the Law.	Contributions of the Employees' Trust Fund must be paid in terms of the regulations.

- (c) Section 05 (1) of the Payment of Gratuities Act, No. 12 of 1983
- Although the gratuity amount entitled by the employees, who have left the service, should be paid within one month from the date of leaving the service according to the provisions of the Act, the head office of the Board, 02 regional offices and 12 depots had paid an amount of Rs. 4,247,571 as gratuity surcharge during the year under review due to the failure in paying within 30 days.
- Circulars and verbal instructions have been issued to pay gratuities on due dates. If gratuities are not paid, action will be taken against the relevant officers as per the procedures of the Board.
- Gratuity payments should be paid in accordance with regulations and arrangements should be made to account them correctly.
- (d) Section 07 (e) of the Stamp Duty (Special Provisions) Act, No. 12 of 2006
- Although the stamp duty of Rs. 25 collected when the gross salary of the employee exceeds Rs. 25,000 was to be remitted to the Commissioner General of Inland Revenue within fifteen days after the end of the quarter of each year as per the provisions of the Act, stamp duty collected on the gross salary of the employees of the Board as at 31 December 2024 amounting to Rs. 37,169,665 had not been paid. Of this, Rs. 5,860,427 was between years 01-02, and Rs. 13,701,275 was between years 02-05, Rs. 9,385,033 was between years 05-10, and Rs. 2,845,143 consisted of balances over 10 years.
- Instructions have been given to remit these taxes within the year 2025.
- Stamp duty should be remitted as per the provisions of the Act.

- (e) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- i. Financial Regulations from 136 to 141 and 225
- As observed during the on-site audit conducted on 08 November 2024, the Depot Manager of the Panadura Depot had signed 30 blank cheques and placed them in the custody of the Assistant Manager (Finance).
- Instructions have been given to prevent such a mistake in the future.
- Action should be taken in relation to cheques in terms of the Financial Regulations.
- ii. Financial Regulation 212 (2) (v)
- Although the entire amount of salary advances paid should have been deducted from the payroll at the end of the month in which the advance was paid, by the end of the year 2024, there was a balance totalling to Rs. 37,907,808, consisting of Rs. 2,462,777 for advances paid over 10 years, Rs. 1,120,386 for advances paid between 05 and 10 years, Rs. 10,647,065 for advances paid between 02 and 05 years, and Rs. 11,000,771 for advances paid between 01 and 02 years.
- The advice and recommendations of the Internal Audit Division will be presented to the Board of Directors and action will be taken accordingly.
- Advances must be paid in accordance with regulations.
- iii. Financial Regulation 387
- The paying officer should always check whether his bank balance is sufficient for all payments made by cheques and although overdrafts from any government bank account are prohibited, the Board maintained an overdraft of Rs. 348,040,115 as at 31 December 2024 and paid Rs. 866,081 as overdraft interest during the year under review. Internal
- The relevant officers were instructed not to obtain overdraft facilities in any way hereinafter.
- Overdraft facilities should not be obtained from bank accounts.

arrangement had not been made for issuing advances to depots requiring overdraft facilities.

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| iv. | Financial Regulation 396 (a) (i) and (iii) | Action had not been taken in terms of Financial Regulations in relation to 70 cheques presented for payment by 10 depots, 02 regional offices, 03 regional workshops and the head office with a value of Rs. 224,963,319, and which had exceeded the validity period by 06 months as at 31 December 2024. | Since the cheques have not been deposited due to the current financial crisis, it has been informed that necessary steps should be taken to realize these cheques on the correct date in the future. | Action should be taken in terms of the Financial Regulations. |
| (f) | Public Administration Circular 21/2015 amending Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka | Although the balance of the festival advance should be recovered from the salary of the relevant employee within a period of 08 months, there was a balance of Rs. 16,585,447 over 10 years, and a balance of Rs. 3,702,189 between 05 and 10 years, and a balance of Rs. 4,570,797 between 02 and 05 years, and a balance of Rs. 10,730,721 between 01 and 02 years as at the closing date of the year under review. Accordingly, the Board had not taken steps to recover the festival advance within the proper period. | The instructions and recommendation s of the Internal Audit Division will be presented to the Board of Directors and action will be taken in accordance with the advice given by the Board of Directors. | Advances should be recovered in accordance with the provisions of the Circular. |
| (g) | Section 4.2 of Chapter XXV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka | Although it is possible to release only two officers full-time when the number of members of a trade union exceeded 3,000, action had not been taken in accordance with the provisions regarding 12 officers who | It has been granted subject to Circular No. 01 of 2022 of the Operations Division and with the approval of the | Trade union members should be released in accordance with the provisions. |

- had been released in excess of 22 employees had been released on behalf of 05 trade unions operating within the Board. Chairman.
- (h) Section 6.9. of Department of Public Enterprises Circular No. 2021/01 dated 16 December 2021 Even though proper procedures should be followed when writing off account balances from the books, based on the recommendations of the Management and Audit Committee and with the approval of the Board of Directors, a value of Rs.3,934,404,115 had been written off from the books during the year under review contrary to the methodology approved by the Board. 98 percent of the value is related to gratuity allocation. This includes balances related to local purchases and settlement of advances. Ledger accounts should be prepared correctly and account balances should be written off in terms of the circular provisions.
- (i) Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003 Even though the financial statements for the year under review had to be submitted for audit within 60 days of the end of the year, the financial statements had been submitted for audit on 29 April 2025, 60 days after the due date. It is acknowledged that the error has occurred. Financial statements must be submitted for audit within 60 days of the end of the year.
- (j) Gazette Extraordinary No. 1533/16 dated 25 January 2008 and National Environment Act No. 47 of 1980 Even though an environmental permit should be obtained by following a recognized and approved method for the disposal of fuel and lubricant waste and plastic and electronic waste in all depot premises and regional workshops belonging to the Transport Board, 52 depots out of 109 depots belonging to the Board and 08 regional workshops out of 12 regional workshops had not taken steps to obtain this It has not been possible to streamline the waste disposal system due to 04 factors. Permits should be obtained for waste disposal in terms of the provisions of the Act.

environmental permit by the end of the year under review.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. Rs. 3,032,142,880 and the corresponding profit in the preceding year amounted to Rs. 1,098,934,630. Therefore a deterioration amounting to Rs. 4,131,077,510 of the financial result was observed. The reasons for the deterioration are increase in salaries and wages, administrative and institutional expenses, bus operating expenses and decrease in other income.

2.2 Trend Analysis of major Income and Expenditure items

Income / Expenditure	Year (2024) (Rs. Million)	Year (2023) (Rs. Million)	Percentage increase (%)	of
Road Document revenue	72,748.38	72,162.70	0.82	
Other Income	2,682.52	4,756.83	(43.60)	
Bus operating Expenditure	20,541.71	18,610.42	10.38	
Fuel and lubricants	39,131.30	41,464.74	(5.6)	
Other Expenditure	16,165.25	15,400.62	4.96	

2.3 Ratio Analysis

Ratio	Year ending 31 December 2024	Year ending 31 December 2023
Gross profit ratio as a percentage	3.6	2.06
Net profit ratio as a percentage	0.3	1.52
Current Asset Ratio	1.23:1	1.24:1
quick assets ratio	0.95:1	0.94:1

3. Operational Review

3.1 Uneconomic Transactions

Audit Observation	Comments of the Management	Recommendation
21,244 litres of fuel worth Rs. 6,075,784 had been supplied to buses purchased from Ashok Leyland on a profit-sharing basis from an external entity during the month of December 2024, when the sample had been tested, despite that the Maharagama depot has a fuel filling station that can store 19,800 liters of fuel, and Payments had been made for the same by the external drivers who are not	An investigation is scheduled to be conducted into the incident that occurred at the Maharagama depot.	A formal system for obtaining fuel for buses operated by external institutions should be developed.

under the Transport Board from the road tax revenue. Necessary arrangements had not been made to supply fuel to those buses from nearby depots.

3.2 Identified Losses

Audit Observation	Comments of the Management	Recommendation
(a) 2,403 tires out of the prefabricated and re-filled tires purchased by Kurunegala South, Keppetipola and Badulla depots to meet their tire requirements during the first 9 months of 2024 had failed prematurely due to non-compliance with the required standards, and no action had been taken to recover that amount by even the end of the year under review even though an amount of Rs. 13,460,013 had to be recovered from the tire suppliers as a refund for those tires.	Preparing reports of premature failures is an issue since there is a shortage of trained personnel to prepare tire consumption reports. Therefore, there is a delay in making payments.	Measures should be taken to obtain prefabricated and refilled tires of the required standard and to recover the returns.
(b) Refilling and pre-fabricating tires had been done by the Kandy South Depot through three supplier institutions to fulfil its tire requirements, and measures had not been taken to collect an amount of Rs. 13,764,524 as the refunds to be collected for the years 2022, 2023 and 2024 by informing the suppliers due to premature failure of these pre-fabricated and re-inflated tires.	Since the suppliers had not physically inspected and reach an agreement on prematurely failed tires and sending the failed tires for refilling without a formal agreement, it was impossible to submit inspection of suppliers.	Outputs should be recovered for premature failures.

3.3 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The amount of Rs.169,292,831 due from the use of the Board's buses for the transportation of hospital staff during the Covid period in year 2020 and 2021 had not been recovered by the end of the year under review.	Despite requests to the Secretary of the Ministry of Health and the Finance Officer, the outstanding amount has not been received.	The outstanding amount should be collected.

- (b) Even though the Police Bus Permits collected by each depot for providing transportation facilities to the Police Department officers by the Transport Board buses for several years, amounting to Rs. 230,389,309, have been sent to the head office of the Board, the value had not been recovered even by the end of the year under review due to the fact that the licenses had not been forwarded to the Police Department for reimbursement. Similarly, the expenses incurred by the Board for providing transportation facilities for police officers should be reimbursed by the Police Department. However, it was not possible to recover the expenses incurred by the Board from 2021 to July 2024 by storing the vouchers of Rs. 10,650,938 at the Horowpathana depot without taking steps to forward them to the Police Department for reimbursement.
- A report regarding police voucher cards has been sent to the head office. Since there is no space to store them, it has been instructed to store them in depots. Steps have been taken to obtain the relevant value by preparing and submitting reports to each police division.
- Action should be taken to have police vouchers reimbursed without delay.
- (c) 59 shops, 15 mobile carts, a Bank of Ceylon branch and a public toilet system belonging to the land of the Central Bus Office and Station had been provided on a monthly and daily rental basis and even though Rs. 23,565,003 as rental income, Rs. 5,621,650 as electricity charges and Rs.15,292,580 as water charges totalling a sum of Rs.44,479,233 should have been received from these by the end of the year under review, any action had not been taken to recover those balances.
- Letters have been sent to the relevant shop owners requesting them to pay the outstanding amounts. Referred to take legal actions.
- Leases should be made with a formal agreement and electricity and water charges should be collected without delay.
- (d) Even though the lease agreements for 30 shops located in the Central Bus Office that had been leased to the lessees had expired for a period ranging from 05 to 47 years by the end of the year under review, no steps had been taken by the board to enter into new agreements.
- Even though requests have been made to transfer ownership to the Sri Lanka Television since the land is owned by the Urban Development Authority, no
- Steps should be taken to enter into new lease agreements.

measures had been taken by the Urban Development Authority to take over the business premises and carry out further activities.

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| (e) | It is stated in Condition No. 21 of the lease agreement for the public toilet system located at the Central Bus Office premises that if the lessee acts in a manner that violates any of the terms or conditions of the lease agreement, this agreement should be cancelled with immediate effect. Although the lessee directly violated Conditions Nos. 04 and 13, and defaulted on the payment of Rs. 8,960,000 as rent and Rs. 15,988,669 for electricity and water, totalling Rs. 24,948,669 as at the end of the year under review, action had not been taken in accordance with the agreement. | It has been stated that if the arrears are not paid, the agreements will be cancelled, and the arrears must be paid. The Colombo District Court has issued an injunction order preventing the cancellation of the agreements. Objections have been filed against it. | Action should be taken to recover the arrears by taking into consideration the court orders. |
| (f) | A special advance loan of Rs. 40,000 was given to the employees of the Board to be recovered within 10 months, and although there was a special advance loan balance of Rs. 10,472,557 for more than 01 year as at the end of the year under review, action had been taken to recover it. | Action will be taken regarding this balance in the future as per the instructions given by the Board of Directors. | Special advances should be recovered within 10 months of being given. |
| (g) | Even though the Board of Directors had decided to increase the minimum SLTB percentage for luxury buses obtained from external parties and run by the Board to 20 percent from 01 April 2024, the necessary action had not been taken to obtain the concurrence of the relevant party even by the end of the year under review. | Even though instructions had been given to increase the percentage, the decision could not be implemented since external parties had not given their concurrence. | Action should be taken to obtain the concurrence of external parties and implement the decision of the Board of Directors. |

3.4 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The spare parts and bus body repairs required for the use of the Transport Board's fleet are carried out by the 12 regional workshops of the Board, and although the production target of 17,928 units was given to those workshops for the year 2024, the number of units produced was 3,831. Out of this, the production of pre-fabricated tyres was 16 percent of the targeted production, and the production of bus bodies, gearboxes, alternators, fuel pumps and fuel injectors had not even reached the target of 50 percent.	Based on the factors that have affected the overall production of 13 regional workshops to take a minimum value, action has been taken to revise the production targets.	Methodologies should be improved as necessary to achieve the production targets.
(b) Due to the insufficient and inefficient vehicle fleet, 77 long-distance services and 167 short-distance services were not run by the depots belonging to the Rajarata, Uva and North Western Regional Offices, resulting in an estimated loss of income of Rs. 3,052,724,115 during the year under review.	This is due to the buses being more than 10 years old, the shortage of Drivers and Conductors, and the lack of sufficient engineering and technical employees for repairs.	Bus services should be maintained at an optimum level.
(c) Due to the inability to repair the fuel pumps of 113 buses in the fleet of depots belonging to the Uva Region, the fuel consumption of the buses had reached 2.54 kilometres per litre. Considering the fuel consumption of these buses at a level of 3.1 kilometres per litre based on the total fuel balance of the region, the fuel consumption in the year 2024 should have been approximately Rs. 3,709,322,727. Since the total fuel expenditure of the regional is Rs. 4,523,564,544, Rs. 814,241,617, or 18 percent of the expenditure, could have been saved.	Instructions have been given to take action to increase fuel efficiency.	Fuel pumps should be repaired timely manner.

3.5 Transactions of Contentious Nature

	Audit Observation	Comments of the Management	Recommendation
(a)	<p>The Maharagama depot had supplied diesel to 20 buses of the Expressway Transport Company (Private) Ltd, and although it had been stated that a deposit of Rs. 500,000 should be taken as a deposit when supplying fuel to the buses of the relevant company and that fuel should be provided not exceeding that amount and that the fuel should be provided again after settling the value of the fuel so provided, contrary to this, the Maharagama depot Manager had supplied 10,884 litres of fuel worth Rs. 3,374,040 exceeding the deposit amount by only taking a deposit of Rs. 250,000 from the said company. At present, since the relevant company has been liquidated, a situation has arisen where this amount cannot be recovered and action had not been taken regarding the failure to act as per the instructions. Although the Chairman of the Expressway Transport Company (Private) Ltd had informed the Depot Superintendent of the Maharagama Depot that fuel had been suspended from May 2023, after that date, 7,390 litres of fuel worth Rs. 2,291,900 had been supplied by the Maharagama Depot without entering into an agreement and proper permission.</p>	<p>The relevant error has occurred. An investigation is to be conducted after finding out the facts in this regard.</p>	<p>It should be supervised whether the provisions of the internal control are being followed.</p>
(b)	<p>While the Board has the necessary physical and human resources to repair buses belonging to NC and NB categories at its regional workshops, 02 buses of NC category and 03 buses of NB category at Panadura depot were repaired by an external institution at a cost of Rs. 15,138,974 during the year under review on the verbal instructions of the Chairman of the Board without following the procurement guidelines.</p>	<p>As a pilot project, the 03 buses were forwarded to the institution in order to send them to the agency for complete repair and provide for running.</p>	<p>The resources of the Board should be utilized to the maximum extent for the repair work.</p>

- (c) Contrary to the dates for payment of salary advances as mentioned in the Circular of the Deputy General Manager (Finance), the Badulla Depot Management had taken action to pay an advance of Rs. 6,718,000 to Wages Board employees and a salary advance of Rs. 1,109,000 to employees who are not regulated by a Wages Board, totalling Rs. 7,827,000, in May, June and July 2024, contrary to the Circular.
- The former Assistant Depot Superintendent has made these salary advances to the employees at the request of the employees and trade union officers.
- Action should be taken in accordance with the provisions of the Circular regarding salary advances
- (d) People's Bank had provided festival advances to the staff of Kalutara, Ruhuna, Uva, Gampaha and Sabaragamuwa regions and the instalments and interest related to those advances were recovered from the account of the relevant employee to which the salary is credited. When there was insufficient money in those accounts, those depots had agreed to recover the instalments and interest from the relevant depot accounts without the approval of the Head Office, and accordingly, Rs. 4,790,539 had been recovered from the bank current accounts of the Board as at 31 December 2024. However, the Head Office had not taken any action in this regard.
- The amount related to the festival advances given in the years 2011 and 2012 has been properly recovered from the salaries of the employees, and the money of the employees transferred has been recovered from the said employees by the relevant depots. However, since the said depots did not give the money to the said depots, this balance has been carried forward. Action will be taken to rectify it in the future. People's Bank has recovered its money from the depot current account.
- Internal transactions between depots should be reconciled and direct debits from bank current accounts should not be allowed without the permission of the Head Office.

3.6 Under –utilization of Funds

Audit Observation	Comments of the Management	Recommendation
<p>Although it was targeted to purchase 285 new engine sets for the buses at the cost of Rs.2,850 million to strengthen the vehicle fleet, only 70 sets of engines had been purchased for Rs. 502 during the year under review. Also, an amount of Rs.800 million had been allocated to rehabilitate 400 buses that had been removed from the running by the depots to re-join with the vehicle fleet was targeted. However, only 90 buses had been rehabilitated at the cost of Rs.120 million during the year under review.</p>	<p>Due to non-receipt of allocations from the budget for that proposal, the project was inactive. The actions were taken to purchase 70 engine sets under the provisions of SLTB and strengthen the fleet.</p>	<p>The actions should be taken to obtain the estimated allocations and to achieve the performance targets by utilizing those effectively.</p>

3.7 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
<p>(a) A 20-perch lot had been blocked out from the land situated in the middle of the Badulla Town belongs to the Board named Kothalawala Walaw Piya Niwasa to establish an Air Emission Centre at the cost of Rs. 9,922,223 in the year 2016. However, the due to an injunction order, the works of the Air Emission Centre had not been started even as at the end of the year under review. Therefore, the money spend for that purpose had been an idle expenditure.</p>	<p>The two main institutions which carry out this test had taken an injunction order preventing the implementation of this project by a third party. The unavailability of a trained team and ability of checking only diesel stock can be shown as the factors that caused the inactivity of the project.</p>	<p>Action should be taken to start the project after obtaining the approval in accordance of the feasibility study report.</p>
<p>(b) 20 buses belonged to the Expressway Transport Company Limited were taken over to the Sri Lanka Transport Board in July and October 2023 and given to the Super Luxury Tourist Transport Service. Due to lack of spare parts, 17 of these buses had been out of service for 618 days by May 2025, and 13 of the buses owned by the board had been removed from running parked for a period of between 30 and 1,283 days.</p>	<p>07 buses have been put back into service after minor repairs. The other 13 buses are ready to be put into service as soon as they are repaired.</p>	<p>The buses should be repaired and put back into service without delay.</p>

3.8 Procurement Management

Audit observations	Comments of the Management	Recommendation
(a) Purchasing had been done from the selected suppliers continuously in the year 2017 for refilling and pre-fabricating the tyres required for the vehicle fleet of the Sri Lanka Transport Board without conducting a procurement after the year 2017, and the prices had been revised from time to time based on price fluctuations. The bids had been invited to meet the requirement for four months in the year 2023, and 14 out of the 17 bidders who submitted bids had been selected as substantially responsive bidders. However, the tender for refilling and pre-fabricating the tyres had not been awarded even as at 31 December 2024 as granting of the approval had been postponed subject to considering the particulars and factors to be deliberated before calling bids without approving the Technical Evaluation Committee Report by the Cabinet Appointed Procurement Committee. During the year under review, a sum of Rs. 2,295,270,893 had been paid for refilling and pre-fabricating of 135,311 tires in the sizes 825x20, 900x20, and 1000x20. As the amount payable to suppliers under the new tender was Rs. 2,037,911,412, an excess payment of Rs. 257,359,481 had been made due to the non-approval of the new tender.	In order to meet the requirement for four months, it had been necessary to continue refilling and pre-fabricating tires under the revised prices. According to the letter of the Secretary to the Ministry, the prices had been revised by 10 percent.	Tyres should be refilled and pre-fabricated in accordance with the provisions of the procurement guidelines.
(b) Although 59 procurement activities valued at Rs. 65,125 million had been planned according to the master procurement plan for the year 2024, 16 procurement activities valued at Rs. 8,967 million had not been	The procurement for the purchase of 05 motorcycles for driver training schools had been stopped. The other procurement activities are	The procurements should be carried out in accordance with the procurement plan of the year.

implemented during the year 2024. Accordingly, 13.77 percent of the procurement expenditure included in the 2024 budget had not been utilized.

being implemented in the year 2025.

3.9 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>Although the Board’s approved cadre was 24,886, the actual cadre as at 31 December 2024 was 25,384. Accordingly, even if the management had reported an excess of 498 employees in several worker-level posts and 102 vacancies relating to 06 management-level posts, the specific particulars related to approved, actual, vacant and excess number related to each post had not been submitted to the audit.</p>	<p>The Department of Management Services has approved the staff. A request has been made to approve a staff of 27,592. The employees have not yet been absorbed under the relevant salary codes. Internal recruitments on a permanent basis cannot be made.</p>	<p>A data system related to human resource management should be established, and necessary vacancies should be filled subject to the approvals.</p>