

Head 306 - Department of Sri Lanka Railways

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Head 306 - Department of Sri Lanka Railways for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022, the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. In terms of Sub-section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the Department of Sri Lanka Railways was issued to the Accounting Officer on 24 May 2023, In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 31 May 2023 to the Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Sri Lanka Railways as at 31 December 2021, and of its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.6 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 opinion.

1.3 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 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.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Department 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control exists in Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

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

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

- 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

I express the following matters in accordance with Section 6 (i) (d) of National Audit Act, No. 19 of 2018.

- (a) The financial statements are in consistent with the previous year
- (b) The recommendations in my report on the financial statements for the preceding year regarding the observations in Paragraph 1.6.1 of this report had not been implements

Paragraph reference	Audit Observations	Recommendation
1.6.3 (b)	(i) According to the financial performance statement for the year 2021, acquisitions of capital assets were Rs.23,262,468,064 and according to the statement of non-financial assets (ACA-6) and Treasury printed SA 82, the value of purchases was Rs.1,371,353,774. Accordingly, the difference was Rs. 21,891,114,290.	1.5.1(d)(i)
	(ii) The value of non-financial assets was Rs.245,322,655,012 as of December 31, 2020, but the opening balance of the non-financial assets statement was Rs.480,429,150,059. Accordingly, the difference was Rs. 235,106,495,047.	1.5.1(d)(ii)
	(iii) Although there is a difference in the opening balance of the year under review with the closing balance of the previous year, the difference should have been disclosed in a note under the basis of reporting in the financial statement, but it had been not done.	1.5.1(d)(iii)
1.6.3 (e)	(i) The accounting policies which followed to preparation of the store advance account of the Railway Department in the year 2021 were not disclosed. Therefore, the audit did not reveal whether these accounts were prepared in accordance with generally accepted accounting principles or public sector accounting principles.	1.5.1(e)(i)
	(ii) The purpose of preparation of the advanced account submitted for audit and its scope were not disclosed by the account.	1.5.1(e)(ii)

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| | (iii) | Due to discrepancy between the opening and closing balances of the stores advance account as per departmental books and as per treasury computer printed. The difference of Rs. 403,366,221 was stated as overestimated. | 1.5.1(e)(iii) |
| 1.6.3 (f) | (i) | As per departmental books, the opening balance of the Control Account is Rs. 1,269,564,455 and, according to the treasury printed notes it was Rs.1,273,742,260. Thus between departmental books and treasury books, There was a difference of Rs. 4,177,805. Even though 17 years have passed since 2004, no action has been taken to settle this balance | 1.5.1(f)(i) |
| | (ii) | The difference of Rs.1,620,898 between the summary of Individual Balance categorization and the departmental control account, There was an unrecognized balance of Rs.716,977 in the difference. | 1.5.1(f)(ii) |
| | (iii) | There was a balance of Rs. 108,685,041.44 to be collected from officers who are not currently in service. | 1.5.1(f)(v) |
| 1.6.4 | (i) | As on December 31 of the year under review, which was Rs. 268,627,824 in the store advance account, in relation to 05 accounting subjects, the schedule showing the time analysis and the manner of preparation was not submitted. therefore it could not be satisfactorily vouching or verified | 1.5.2(a) |

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies'

(a) Statement of Financial Position

	Audit Observations	Comment of the Accounting Officer	Recommendations
(i)	In order to verify the net asset value mentioned in the Statement of Financial Performance, It was not submitted the balance report containing the contents to the audit, so the value could not be verified.	The value which present in the accounts was prepared as through accounting calculation, by deducting value of current liabilities and reserves of property, plant and equipment from total assets value. Accordingly, there was no separate preparation made as a balance report.	A report containing the contents should be prepared and submitted to verify the balance.

- (ii) The balance of non-personal account of General Manager of Railways before the date 31,December 2015 was Rs. 1,000,515,781. From that amount Rs.740,148,051 was collected and disclosed under reporting basis during the year 2022 and the remaining receivable balance of Rs.260,367,030 was not disclosed in the financial position statements.
- During the year 2022, an amount of Rs.740,148,051 has not been disclosed under the basis of reporting “ was collect”. And the instructions have been given for future disclosures in separate statements of financial position.
- The amount of receivable should be disclosed in the statement of financial position..

(b) **Statement of Financial Performance and Statements of cash flow**

Audit Observations	Comment of the Accounting Officer	Recommendations
(i) Although the amount of Rs.740,148,051 as a received from other main ledger accounts was shown under the non-revenue receipts of the Cash Flow Statements, and the accounts did not disclose how this revenue was received to the Railway Department.	This adjusting entry in the 2022 cash flow statement was applied to correct a binary error associated with the Railway General Manager's Account 8003. Accordingly, this amount has not been reported to the Railway Department as a receipt in the record you mentioned in the year 2022. To include this adjusted cross-entry in the statement of cash flows was based on the set of instructions given by the Treasury to prepare the financial statements which is all cross-entry receipts and payments are in accordance with instructions to be shown in the cash flow statement.	Receipts should be disclosed with the way of received

- (ii) Although the above amount of Rs.740,148,051 which recorded as receipts from the non-personal account of the General Managers of Railways under cash flows generated by financial activities in the cash flow statement, That accounts did not disclose whether this income was generated by the financing activity.
- This was not an actual cash inflow and that was only cross entry which used to correct binary error. As well as this non-personal account of General managers were although maintained to be Financial co-ordination in between Treasury and the Railway Department, All transactions related to that account are listed under financial activities.
- Receipts should be disclosed with the way of received

(c) The Comparative Statement of Imprest

Audit Observations	Comment of the Accounting Officer	Recommendations																								
Loans transferred on transfer of officers to other Government organization and debits made to the advance account of Government officers on behalf of other Government organization, Although it should be disclosed separately under the debit head in the comparative statement, it was shown as a cumulative figure.	This has happen by mistake. According to the balance check of the department, debits have been made under 06 organization to the advance account of government officers on behalf of other organization.	The Comparative Statement of Imprest should be disclosed separately under the Debit Head.																								
	<table border="1"> <thead> <tr> <th>Head No.</th> <th>Name of the Organization</th> <th>Amount (Rs)</th> </tr> </thead> <tbody> <tr> <td>001012</td> <td>President's secretary's office</td> <td>15,430.00</td> </tr> <tr> <td>126012</td> <td>Ministry of Education</td> <td>13,200.00</td> </tr> <tr> <td>226012</td> <td>Immigration Department</td> <td>8750.00</td> </tr> <tr> <td>276012</td> <td>Badulla District Secretariat</td> <td>245,000.00</td> </tr> <tr> <td>331012</td> <td>Samurdhi Development Department</td> <td>134,136.00</td> </tr> <tr> <td>409012</td> <td>Ministry of State for Home Affairs</td> <td>312,410.40</td> </tr> <tr> <td></td> <td>Total</td> <td>728,926.40</td> </tr> </tbody> </table>	Head No.	Name of the Organization	Amount (Rs)	001012	President's secretary's office	15,430.00	126012	Ministry of Education	13,200.00	226012	Immigration Department	8750.00	276012	Badulla District Secretariat	245,000.00	331012	Samurdhi Development Department	134,136.00	409012	Ministry of State for Home Affairs	312,410.40		Total	728,926.40	
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(d) Non-financial assets.

The following are the audit observations revealed in this regard

Audit Observations	Comment of the Accounting Officer	Recommendations
(i) According to the financial performance statement of the year 2022, the value of the capital expenditure related to the acquisition of assets was Rs.15,285,208,816. However in the account and as per treasury printed SA 82 the value of purchase was mentioned as Rs.2,403,765,858. Accordingly, the difference was Rs. 12,881,442,958	Although, according to the subject of capital expenditure related to the acquisition of assets, the value of Rs.12,881,442,958 is under the value of Rs.11,608,193,150 are the assets purchased under foreign loans and the assets of this department are recognized as units after incurring all related expenses. Accordingly, in order to adapt to it, this method is also implemented in the SIGAS program.	Action should be taken to the report asset purchases to the Treasury be accurately.
(ii) Although, as on December 31, 2021, the value of non-financial assets was Rs.481,800,503,833 however the opening balance of the non-financial assets statement was Rs.481,859,585,384. Accordingly the difference is was Rs. 59,081,551.	During the accounting year 2022, land and building given by the Valuation Department the value of Rs.59,081,551.00 was accounted as the non-financial asset opening account balance of the year 2022 and this mentioned value is that value.	Any difference in the balance of the year under review as compared with the closing balance of the previous year should be disclosed by a note in the financial statement.

(e) **Stores Advance Accounts.**

The following are the audit observations revealed in this regard.

Audit Observations	Comment of the Accounting Officer Not Replied.	Recommendations
(i) The accounting policies adopted for the Railway Department's Stores Advance Accounts 2022 were not disclosed. Therefore, the audit did not reveal whether these accounts were prepared in accordance with generally accepted accounting principles or public sector accounting principles.	No comment was given.	Accounting policies should be disclosed.
(ii) The purpose of preparation of the advanced account submitted for audit and its scope were not disclosed by the account.	No comment was given	Objectives and scope should be disclosed.
(iii) Although the balance as per departmental accounts books of the Stores Advance Accounts should be equal to the balance as per treasury computer printout, Because above two balance were not same , it had been Rs.403,366,221 mentioned as overestimate and deducted from the balance as per departmental books and equalized with the balance as per treasury print.	I accept that there is a delay in settlement due to old balances that have been standing for a long time. I mention that the reason is the difficulty of accessing correct source information as mentioned earlier. That this account has been used to adjust with the balance stated in the treasury, this does not show a decrease in the balance due to the treasury and only correction of departmental book balance has been done according to the balance indicated by the treasury.	Actions should be taken to settle the balance shown in the account as overestimates

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| (iv) | Due to non-adjustment of the cost of Rs.78,197,076 incurred as customs fees in the import of goods from 1993 to 2022, the stock value was undervalue by Rs.78,197,076. | I agree with the audit. Even though such large figures are shown due to non-issue of goods receipts, And as follows these values have been included stock of Rs 29,653,733 by April 2023. Kindly inform that in the future, receipt of goods will be received promptly and these balances will be included in the stock. | Only relevant payments should be included in debits during the year. |
| (v) | Under SPL 3060/21, Rs.22,215,365 to be spent by the expenditure heads of the Signal Sub-Department for acquiring signaling equipment, was shown as the expenditure of the year in the stores Advance Accounts. Due to that it had been the Stores Advance Accounts was overestimate Rs.22,215,365 during the year. | Under SPL 3060/21, to be spent by the expenditure heads of Signal Sub-Department for obtaining signal equipment Rs. 22,215,365 and whereas at the end of the year, due to insufficiency of expenditure heads, it is shown as an expense under the Stores Advance Accounts. Also in January 2023 this value has been debited to the expenditure heading of Signal Sub-Department and corrected. | Only relevant payments should be included in debits during the year. |
| (vi) | Although the stores bill value of Rs.32,767,012 settled by the Chief Mechanical Engineer's Office in July 2022 was canceled in November 2022, due to the fact that the value was accounted as receipts of the year, the credits were increased by Rs.32,767,012 during the year. | The stores bill value of Rs.32,767,012 settled by the Chief Mechanical Engineering Office in July 2022 has been debited to the stores advance account in November 2022 due to insufficient expenditure heads of the sub-department. And that amount has been credited to the stores advance account in January 2023. | Only relevant receipts should be included in credits during the year. |

(f) The Advances to Public Officers B Account

Audit Observation	Comments of Accounting Officer	Recommendation
<p>(i) At the beginning of the year 2022, the opening balance of the control account according to the departmental books was Rs.1,118,983,421 and it was Rs.1,123,161,226 according to the treasury printed notes. Therefore, there was a difference of Rs. 4,177,805 between department books and treasury books. Even though 18 years have passed since 2004, no action has been taken to settle this balance.</p>	<p>In the year 2004, due to the transformation of the Railway Department into an authority, the debt and advance accounts and settlement of the Railway Department were carried out by the Ministry of Transport. Also, preparation of monthly reports, final accounts and comparison of accounts, presentation of annual accounts have been done by the Ministry. During that period, there has been a difference of Rs.4,177,805 between the treasury books and departmental books. Since 2004, the balance has been maintained continuously.</p>	<p>Action should be taken to checked and resolved to the reasons for the difference.</p>
<p>(ii) In the difference of Rs.836,508 between the summary of Individual balance categorization and the departmental control account, the unrecognized Rs. There was a balance of 716,507. Necessary actions were not taken to settle these balances.</p>	<p>Although the arrear balances due from retired and deceased employees in previous years have been received from the Director of Pensions and credited to the control account of Government Officers' Advance Account, Due to not receiving sufficient details from the Pensions Director or the Divisional Secretariats to write off</p>	<p>Action should be taken to checked and resolved to the reasons for the difference.</p>

- the balances, Unable to specifically write off, the credit balance further retained in single balance sheets has been Rs.716,507. To get such unconfirmed information, officers of this department went to the Pension Department and found it by checking the old documents.
- (iii) Debt balances of Rs.26,400,397 due from officers of 19 sub-departments who left service and In terms of recovery, xxiv chapter 4.5 and 4.6 paragraphs of the Establishment Code had not been dealt with and 64 percent of the loan balances were more than 05 years old. As on 31.12.2022, the balance due from the officers who have left the service is Rs.26,400,397.64. An amount of Rs. 603,360.00 has been collected from three officers under the Chief Engineer (Power) sub-department within this year. The Emergency Raid Division and the Legal Division are working to collect the debt balance of Rs.494,535.49 from two officers who left the service under the Office of the Railway Depot Superintendent. Actions should be taken to recover old debts
- (iv) Debt balances of Rs.16,251,146 due from suspended officers in 16 sub-departments had not been recovered. From that 68 percent of which the loan balance of Rs.11,195,178 was overdue for more than 05 years and 34% of those loan balances belonged to the Chief Engineer (Power) sub-department. Appeals have been made for the reinstatement of 05 suspended officers under the Chief Engineer Sub-Department. Then there is the ability to settle the loan balances of those officers. Arrangements have been made to bring the

- information about the guarantors of the debtors by the cabinet departments for other charges.
- (v) Almost 09% of the total advance balance i.e. Rs.102,372,296 was from non-employed officers and nearly 45% of it was comprised of retired officers. Also the amount which has left the service, more than 05 years have passed but not recovered the advance balance is Rs. was 16,865,419. This was 16% of the total advances due from retired officers.
- Most of the loan balances of the retired officers are recently accumulated balances and due to the current financial crisis in the country, the payment of retirement gratuity and the settlement of the loan balances of the retired officers have also been delayed. And a credit balance of Rs.1,219,285.00 due from the retired officers as on 30.04.2023 has been collected within the last 4 months. Actions are being taken to recover the loan balances due from non-employed officers from the guarantors and there are difficulties in obtaining information as a large percentage of the loan balances that are overdue for more than 5 years are outstanding balances from about 15 years ago.
- Actions should be taken to recover old debts.

(g) Non-maintenance of Registers and Books

It was observed during audit test checks that the Department had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Statements relating to arrears of income Finance Regulation 454(3) and Finance Regulation 177(4) Record of arrears of income was not maintained.	Instructions are given for maintenance of outstanding records in the areas where revenue is collected and reported. Therefore, no maintenance of a record relating to consolidated arrears of income will be done.	The record relating to arrears of income shall be maintained as per Finance Regulation 454(3) and Finance Regulation 177(4).
(ii) Record of Liabilities German Institute of Technology, Superintendent of Transport (Colombo), as per Financial Regulation 214. Accounts Payable of Transport Authority (Anuradhapura) and Sub-Departments of Signals and Communications 04 were not submitted for audit.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	According to finance Regulation 214, the liabilities should be recorded in a register so that the liabilities can be checked regularly.

(h) Absence of Audit Evidence.

Audit evidence was not submitted in respect of the following transactions.

Audit Observation	Comments of Accounting Officer	Recommendation
(i) Time analysis in relation to 05 account subjects which was Rs.935,903,785 presented in the	• Various debtors- A time analysis of receivables is also	Relevant written evidence must be submitted to verify

stores advance account as on December 31 of the year under review and Due to non-submission of Schedules and Balance confirmation Sheets showing the manner in which they were made, they could not be satisfactorily vouching or verifying.

prepared in the stores advance account balances.

- Advances and Deposits - Informed by letters to the relevant institutions to verify balances.
- Undersupply of goods,- 1998-2009 Outstanding Letters of Credit, Various Creditors - Due to very old balances, necessary arrangements will be made to present the information correctly in future. Due to the difficulty of finding sources and insufficient staff, considerable time is needed to identify and accurately present the above balances.

- (ii) The department does not maintain a register of arrears of revenue and the deficit income is calculated based on the income information provided by each sector. Accordingly, the accuracy of the figures shown in the account could not be confirmed during the audit.
- In calculating the accumulated deficit revenue against the railway revenue head traditionally based on information obtained from several sectors. Instructions have been given for maintenance of outstanding documents in those departments. Therefore, no maintenance of a record relating to consolidated arrears of income will be done.
- Relevant written evidence must be submitted to verify account balances.

2. Financial review

2.1 Revenue Management

Following are the audit observations revealed in respect of collection of revenue and collection of arrears of revenue.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) <u>Revenue</u>		
(i) Apart from the two storage rooms on the first floor of the Galle railway station and the rooms reserved for the Railway General Manager, by renting out the remaining 08 rooms, compared to the years 2017 and 2018, the income of 2020 and 2021 will be Rs. 552,805 and had fallen by Rs.687,900.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	The reasons for the decrease in income should be investigated and measures should be taken to increase the income.
(ii) According to the accounts of Weligama railway station, there was a balance due to the railway department of Rs.189,041 since 1988 and as of June 09, 2022, more than 33 years had passed, but the balance had not been settled.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	Action should be taken to settle the long-standing balances.
(iii) The ODESSEY special train running from Kandy to Ella has 50 third class seats, but only 76% that means 38 seats are available under the online system. In allocating seats by online system, the facilities provided to accommodate the train licenses of government employees have affected this system and since the government train	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	The problem that has arisen in allocating seats through the online system should be resolved and efforts should be made to increase the revenue.

warrants are not valid for these trains, from 05th March 2022 to 31st March 2022, 12 seats per day, 324 seats for 27 days by Rs.4000, the department had lost an income of Rs.1,296,000.

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| (iv) | It was observed that the Bandarawela Permanent Road Inspectorate area had received very few 2ND Hands Rails for repair. Accordingly, if a certain amount is kept for repairs, and the above-mentioned Rails, which are currently piled up in some places in an unsafe manner, are sold at the rate of Rs.110/= per 1 kg according to the current market iron prices, For that It was observed that the department could have earned an income of Rs.36,370,352. | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. | Action should be taken to clearly identify the way of generating revenue and efforts should be made to earn that revenue to the department. |
| (v) | Action should not take to collect the arrears of income and electricity charges of Soya Ice Cream Store, Milko Dairy, Kola Kanda Shop at Gampaha Railway Station amounting to Rs.1,340,887. | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. | Action should be made to collect the arrears. |
| (vi) | Due to the fact that the value of arrears due from a government organization was Rs.3,323,654, the value of arrears of transport rent was undervalued by Rs.809,174 due to the fact that it was stated as Rs.2,514,480 in the financial statements. | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. | Action should be taken to shown correct values in the financial statements. |
| (vii) | The outstanding transport fee | In this case, I would like to | Arrears of transport |

- due from a private company on December 31, 2022 was Rs.1,276,178, but in the financial statements it was accounted as Rs.455,554, that was by Rs.820,624 less amount.
- kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- charges must be properly accounted.
- (viii) Although the arrears of transport charges to be collected from a private company from the year 2008 to the year 2021 is Rs. 8,026,382, that value was not included in the financial statements.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- Arrears of transport charges must be properly accounted.
- (ix) The arrears of transport rent due from Ceylon Petroleum Storage Limited from April to December 2022 for the transportation of goods by rail was Rs.466,884,519. But the outstanding transport rental income taken by the department for the final financial statements is Rs. 156,988,929 and out of that balance Rs. 53,998,190 were old balances from 2008 to 2021. Accordingly, the Department of Railways had under-accounted the arrears of transport rental income by Rs.309,895,590.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- Arrears of transport charges must be properly accounted.
- (x) From the concerned private company regarding the repair and maintenance work done by the Railway Department on the Viceroy Special Train during the period from 2005 to 2008. An amount of Rs. 6,119,582 should be charged from the concerned private company, but that amount was not accounted.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- Income must be properly accounted for.

(xi)	The arrears of rent due on May 06, 2021 from the CI-G store building in the Colombo store complex is Rs. 393,128 had not been accounted.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	Income should be recognized and accounted for correctly.
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(b) Arrears tax revenue due on lease of railway reserves

To be received through the lease of land belonging to the Railway Department of Rs. 79,894,344 had not been accounted for and had not been included in the financial statements.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	Tax revenues should be correctly identified and accounted for.
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2.2 Management of Expenditure

Indicate the audit observations revealed relating to preparation of annual budget estimates, transfer of provisions, making and utilization of provision by supplementary budget estimates, utilization and saving of provision.

Audit Observation

Comment of the Accounting Officer Recommendation

Due to non-allocation of provision from the annual estimate without proper study and planning

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| (i) | <p>The total allocation of Rs. 1,338,000 was saved by making over-allocations for 04 expenditure subjects.</p> <p>And Over allocation of Rs. 169,000,000 related to 15 expenditure heads by finance regulation 66/69 had been transferred to other expenditure subjects.</p> | <p>I would like to mention that in the future, we will try to minimize such situations as much as possible and maintain good financial management</p> | <p>Adequate provision estimates should be prepared based on a proper study.</p> |
| (ii) | <p>There were 21 cases identify as surplus of more than 25 per cent of the estimated provision</p> | <p>According to the priority and needs of each task, the allocations are balanced by transferring the allocations and in this internal control system there may be surpluses and excesses of allocations and also I would like to point out that according to the Treasury Code, allocations will not be exceeded or unnecessary surpluses will occur.</p> | <p>Adequate provision estimates should be prepared based on a proper study.</p> |
| (iii) | <p>Additional allocations were made for 06 expenditure heads between 23 percent and 387 percent of the original allocation.</p> | <p>I agree that additional provision had to be made as indicated by the audit. Due to the huge increase in the price of fuel and lubricants in the year 2022, the provision made in the cost estimate was not enough.</p> <p>Therefore, to incur expenses under 306-2-3-0-1202 and 306-2-4-0-1202 expenditure heads as well as for 306-2-4-39-2101(12) and 306-2-4-39-2104(12) expenditure subjects. And additional allocations had to be obtained as the allocation requested by the cost estimate was not available in the budget estimate.</p> | <p>Adequate provision estimates should be prepared based on a proper study.</p> |

2.3 Excess without prior authority

The following over expenditures were revealed.

Audit Observation	Comments of the Accounting Officer	Recommendation
For 14 expenditure subjects, expenditure of Rs.30,536,215 had been incurred in excess of the allocation.	You have shown in the audit, As mentioned before, The overheads are detailed in the sub-budget subjects of the respective sub-departments, which are divided for the internal financial convenience of the department. As it is not possible to prepare estimates with 100% accuracy, therefore some sub-budget subjects may over-allocate. But I would like to mention that by managing the allocations, no expenditure has been incurred beyond the provisions of the Treasury Code. I would also like to mention that in future such situations will be minimized as much as possible to maintain good financial management.	Expenditure should be incurred only within the approved allocation limit.

2.4 Unauthorized Working Capital Loss

Audit Observation	Comments of the Accounting Officer	Recommendation
There was a Working Capital Loss loss of 13 million rupees in the stores advance account and it has not been cleared till now.	I agree with the matters mentioned in the audit and I kindly inform you that necessary arrangements will be made in the future to deal with this matter immediately and settle it. At auction in the period 1991-1993, Rs. 13,829,758 loss has continued since previous years	According to the finance regulations, arrangements should be made to set aside treasury provisions to cover the losses of the respective working capital losses.

and the accounts department has not yet been informed of a final decision regarding write-off these value, therefore it has not been able to adjust the accounts.

2.5 Incurring of Liabilities and Commitments

Indicate the audit observations revealed relating to liabilities and commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to paragraph 3.3 of the Public Accounts Guide No. 2022/05 dated December 13, 2022, under Annexure No. (iii) of the account as on 31/12/2022, all obligations and liabilities should have been disclosed by numbers, but the liabilities and liabilities worth Rs.1,532,473,670 related to 03 sub-departments of the Railway Department were not disclosed in the accounts.	According to Public Accounts Guideline No. 2022/05, liabilities entered into the CIGAS program must also be included in the financial statements. There should be sufficient provision in the subject of expenditure relating to the credit to include so. However, depending on the workload of the Railway Department, urgent and essential purchases have to be made in some cases to maintain the public service. For this reason, Situations arise where there are insufficient provisions to include certain liabilities in the CIGAS program. Such liabilities are not included in the financial statements. Therefore, I will negotiate with the Treasury regarding these liabilities and arrange to include them as another list in the financial statements.	The provisions of the public Finance Circular should be followed.
(b) Submitted with financial statements as on 31/12/2022 of each sub-department, Commitment and Liabilities should be equal to the value shown in the Accumulated	Requirement of spare parts has to be managed by credits to ensure supply without disruption to service/operations. And I am informed that in the future,	The liabilities shown in the statement of accumulated liabilities of the treasury should be shown in the statement of liabilities in the

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| <p>Liabilities Statement of Treasury SA92. Among those balances Rs. A difference of 860,174,198 was represented.</p> | <p>instructions will be taken to disclose the unprovisioned liabilities in the final accounts through a credit report and will be dealt with accordingly.</p> | <p>financial statements.</p> |
| <p>(c) According to the Treasury's SA92 bearing Accumulated Credit report, to ascertain the balance of Rs.40,686,052.67 shown as the debit balance of the Sub-Departments of Chief Engineer Power, Signals and Communications, Transport Authority (Colombo) , the Railway Department Credit Documents was not submitted for audit.</p> | <p>In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.</p> | <p>The relevant credit documents should be submitted to verify the credit balance.</p> |
| <p>(d) According to finance Regulation 94(1) (supplies and non-services) should not be bound to liabilities in excess of provisions, but in the sample audit conducted in the year under review, liabilities of Rs. 306,637,665 had been reached in relation to 07 expenditure heads in excess of provisions.</p> | <p>In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.</p> | <p>Action should be dealt with 94(1) of the finance Regulations</p> |
| <p>(e) Contingent Liabilities
There were 39 cases filed by external parties against the Railway Department and the disclosures were not made in the final accounts.</p> | <p>I am kindly informed that necessary arrangements have been made to show the doubtful liabilities in the financial statements of the coming years in connection with the cases assigned against the external parties.</p> | <p>Disclosures must be made.</p> |

2.6 Certification of the Accounting Officer

Chief Accounting Officer/Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No. 19 of 2018. However, it had not been so done.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The Chief Accounts Officer and the Accounts Officer shall ensure that an effective system of internal control is developed and maintained for the financial control of the Railway Department. And that the effectiveness of the system should be reviewed from time to time and necessary changes should be made accordingly to make the system effective, Although those reviews should have been carried out and a written copy submitted to the Auditor General, however No such reviews were submitted to the Auditor General.</p>	<p>Although it is not possible to submit the reports as indicated by the audit , I am inform that the review of the effectiveness of the system will be done and the reports will be prepared in the future.</p>	<p>An internal control system should be introduced and reviewed periodically.</p>

2.7. Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Observations Reference to Laws, Non-compliance Rules and Regulations	Comments of the Accounting Officer	Recommendation
<p>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p>	<p>Under the Inspector of Permanent Roads in Nanuoya Permanent Roads Jurisdiction, Regarding 02 damages to road sections and railway property and no action has been taken these according to the</p>	<p>In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub- department.</p> <p>Action should be taken as per the finance regulations</p>

finance regulations. Also action had not been taken to properly assessed and recovery from the responsible parties or proper action was taken against them.

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| (ii) | According to the instruction of Finance Regulation 128 (2) c and Public Finance Circulars Paragraph 08 of Circular No.01/2015 dated 20 th July 2015 | Half-yearly reports in respect of prescribed arrears within the month following the expiry of that period and even though they were to be submitted to the Director General of the Department of Fiscal Policy with a copy to the Auditor General , those half-yearly reports of the year 2022 were not submitted for audit by March 27, 2023. | Whereas the half-yearly arrears revenue report could not be submitted on the due date by mistake. And necessary arrangements have been made to submit it to the Department of Fiscal Policy in May 2023. | Action should be taken to according to the finance regulations and the circular. |
| (iii) | F.R.175(2) | Arrears should be dealt with promptly as per law. If the arrears cannot be recovered through legal means, the long-term arrears should have been written off without delay on the agreement of the treasury, but action should not been taken yet. | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. | Action should be taken to according to the finance regulations. |
| (b) | According to the Procurement Manual | | | |
| (i) | 6.3.3 section | Although the opening of bids shall be done by a committee appointed with the concurrence of the procurement committee, however no such bid opening | Not Commented | Action should be taken as per the procurement manual. |

- committee was appointed for procurement of purchase spare parts for M6 Class and S8 Class Locos.
- (ii) 6.3.6 section Although the opening of bids shall be recorded in a recommended form as specified in 6.3.6 of the procurement manual. and with signed by all the members of the Opening Committee, No such model was used in procurement of spare parts for M6 Class and S8 Class Locos. Also it has submit the file contained a document signed by the officers who came up with and only the name of the company that submitted the price and the price that was submitted.
- Kindly inform that at present (from the year 2018) the opening committee is working to complete the forms formally as per the section.
- Action should be taken as per the instruction of the procurement manual.
- (iii) 8.9.1 (b) section (a) According to the section 8.9.1 (b) of the procurement manual, Although a written contract agreement must be signed for a contract of goods or services exceeding Rs.500,000, however File No. RTS/3095/11 had not signed a contract agreement with the supplier for the purchase of spare parts.
- It was accepted that audited file No. RTS 3095/11 shows that no contract agreement has been signed with the supplier for the purchase of spare parts. And I would like to inform you that at present all procurements in this sector exceeding the value of Rs.500,000.00 will be procured through a accordingly signed written agreement. Moreover according to
- Action should be taken as per the instruction of the procurement manual.

No. 7.4 of the Procurement manual, the Technical Evaluation Committee shall provide the evaluation report within 50 percent of the bid validity period.

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|---|---|--|---|
| <p>(iv) As per No. 7.4 of the Procurement manual, the Technical Evaluation Committee shall provide the evaluation report within 50 percent of the validity period of the bid.</p> | <p>(a) It spent 187 days to provide the report for procurement No.RLJ 3211/11</p> <p>(b) It had been 169 days passed to provide the report for procurement No. SRS(C) RWS 3367/15.</p> <p>(c) After 330 days as per procurement SRS(C)RTS 3095/11 on 19th May 2012 Technical Evaluation Committee Report had been given.</p> | <p>(a) (b) (c) - I would like to inform you that necessary measures have been taken by the General Manager of Railways to issue instructions to the Technical Evaluation Committees to provide the technical evaluation committee reports as soon as possible and if there is a delay due to unavoidable circumstances, to submit the reports along with the explanations.</p> <p>To prevent this happening in the future, the office arrangements required by the procurement process have been implement and According to the study conducted by the Earnest & Young Institute under the assistance of the Asian Development Bank, plans have been made to implement a computerized program for stocking and stock management at the end of this year.</p> | <p>Action should be taken as per the instruction of the procurement manual.</p> |
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- (c) Sub-clauses 5.5 and 5.6 of Paragraph 03 of the Code of Railway Department General Regulations
- Unclaimed parcels after one month should be transferred to the unclaimed parcels register and notified to the Chief Accountant, but there were cases where such action was not taken.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- Railway Departments shall act as per the instructions of the Code of General Regulations.
- (d) Sections 31(a), 31(b), 31(c), 31(d) of Railway Ordinance 200
- Although no work can be done in railway reserves without the written permission of the General Manager of Railways, buildings had been constructed without permission in the railway reserve between Weligama Railway station, It was observed that another group was occupying the reserved land and carrying out trading activities and this was informed to the General Manager of Railways. However, until the end of the year under review, the necessary steps had not been taken in this regard. And also there were 13 permanent shops located in these unauthorized constructions, water and electricity were even obtained for them and business licenses were also obtained from the relevant local government.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- Action should be taken as per the Railway Ordinance

2.8 Informal Transactions.

The following observations are made.

Audit Observation	Comment of the accounting officer	Recommendation
(a) Although payment for store supplies should be made after certification by the Paying Officer that the goods are of proper quality and in correct quantities, however, payment of Rs. 95,763,117 had been paid to the supplier without any guarantee and for goods not supplied.	<p>however in order to reduce this situation, To prepare a new bid document and prepare a formal contract form without prejudice to both parties , also the bid documents that are currently used should be in accordance with the procurement guidelines and include the conditions, payment conditions, obtaining security etc (Including actions that may be taken in respect of failure to deliver goods on time, late delivery, under-delivery, stock damage, stock not conforming to specifications etc.) moreover A Technical Appraisal Committee has been appointed to make recommendations regarding document preparation.</p> <p>The relevant tender documents have been drafted by the particular committee and after being submitted to the procurement committee and getting approval, I inform you that this situation can be reduced to a large extent in future procurement activities.</p> <p>In addition, two subject clerks have been appointed under the supervision of the procurement officers to settle the payments made for the currently undelivered goods and have been instructed to complete these activities within 06 months.</p>	Payments should be made under formal authority after certification by the officer certifying the payments.
(b) 180 spare parts worth Rs.5,451,181 (Euro 31,586.40 × 172.58) ordered from MS MTU Asia Pvt under Item No:18 and 19 had not been received and these spare	<p>According to the file, it is clear that the items number 18 and 19 indicated by the audit were shipped by the respective supplier, and the wharf department reported that the box containing the items was not available at the time of clearance. Accordingly, it appears that the items have been re-ordered on 21.05.2013 considering them as the items destroyed by the fire in the harbor warehouse.</p> <p>According to the file, the items related to this order were shipped in 02 packages and in the Deputy Chief Engineer's letter dated 18.11.2013, it was stated that the package (Box) related to indent 3095/11 was not damaged by fire, but the number of packages was not mentioned.</p> <p>Accordingly, I would like to inform you that the items that were re-ordered were the goods destroyed by the fire in the</p>	Action should be taken against the responsible officials. Action should be taken against the officials responsible for the loss to the

parts had been re-rendered till the information on file that these spare parts were destroyed by fire at CFS – 1 Store on 21st May 2013. But these items were not in the balance shown as the value of stock destroyed by fire in the stores advance account and Rs. 5,451,181 the value of these spare parts was shown as goods that not received in the 2022 stores advance account. Also, in the letter sent by DME to SRS on November 18, 2013, it was mentioned that the purchased goods (Boxes) were found and they were not

harbor warehouse.

Regarding file RTS 3095/11, goods receipt No. 230 of 27/05/2014 was received by Railway Store Sub-Department Accounts Section in August 2014 and accounted in September 2014.

And the following two items are mentioned as undeliverable goods (short item) in the goods receipt note. Therefore, since 2014 to present date has been recorded as undelivered goods under stores advance account.

Regarding the re- importation of those goods, the relevant departments have been informed through letters in every year.

Item name	Part No	Quantity	Amount (EURO)	Amount (LKR) (LC, Custom & Landing)
1) Bearing Main /0-0/UP/RIL/	5240336 101	90	13,335.30	2,287,082.68
2) Bearing Main /0-0/LO/SPT	5240336 602	90	18,251.10	3,175,464.16
		<u>180</u>	<u>31,586.40</u>	<u>5,462,546.84</u>

government and administrative inefficiency and misconduct in this incident.

destroyed
and they can
be released
on the normal
method.
Thus,
although the
money has
been paid, it
is not
confirmed
whether the
supplier has
provided
Rs. 5,451,181
, a problem
had arisen as
to whether
these goods
amounting to
were
submitted as
destroyed by
fire and re-
ordered.

2.9. Issuance and Settlement of Advances

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>As per 9.1 of the Public Finance Circular No. 01/2020 dated August 28, 2020, finance regulation. According to paragraph 371(2) (b). “The staff officer receiving the imprest advance shall settle the imprest advance as soon as the work is completed” and According to Finance regulation 371 (5), "after issuing an imprest advance, the said imprest advance must be settled again within 10 days</p>	<p>The imprest arrears should be settled within 10 days, but I will take steps to inform the sub-departments regarding non-settlement and take necessary measures to settle it accordingly.</p>	<p>As per the circular instruction, the imprest arrears must be settled within the prescribed period.</p>

after the completion of the work", but the same was not done regarding the imprest advance amounting to Rs.5,052,005.

2.10. Operation of Bank Accounts

Deficiencies revealed at the audit test checks carried out on operation of bank accounts, appear below.

Audit Observation	Comments of the Accounting Officer	Recommendation
There were 07 cheques amounting to Rs. 271,163 dishonored in the bank account bearing No. 1761001 2902 7313, but they were not processed and settled as per the finance Regulations No.189.	The checks sent to settle these 07 cheques have been credited to the income by mistake, I will take necessary steps to correct the error in June 2023.	Action should be taken as per the finance regulation.

3. Operating review.

3.1 Performance

Audit Observation	Comment of the accounting officer	Recommendation
(a) Although the train started running according to a schedule in the year 1865, till now there have been complaints from the train users that the train is not running according to the schedule. The planned number of train runs in the year 2022 was 120,993 out of that 32,844 trains had run on time. The number of canceled trains was 10,077. Accordingly, 72% trains were not running as scheduled. In the year 2022, 23 locomotives and 36 power sets were underutilized, but in 2021, 06 power sets and 10 engines were obtained	Not commented	According to the vision and mission of the department, the railway performance should be developed in a way that is closer to the customers so that the sustainable development goals are reached.

from India by paying 90 million US dollars.

Since a long time, Railways, which have been contributing 6% of Sri Lanka's total passenger transport and 6.5% of freight transport, had failed to increase its contribution and although the railway network was 1521 km in 1934, it will be 1465 km by 2021. And it had decreased by 56 meters.

The decrease was after the addition of 32 km up to Beliatta.

- (b) Installation of 200 bells and electrical systems for safety at unprotected railway crossings.
- Although according to the agreement, 200 road safety systems should be completed and handed over by January 27, 2017, By August 01, 2022, all 200 systems had been built, but 10 of them had not been properly tested and handed over to the Railway Department.
 - By August 2022, 95% of the contract amount of Rs.1,003,446,336 had been paid, but 60 of the 142 bells and electrical systems installed on the lower road before a year had passed. Even before a year has passed since installation 60 out of 142 bells and electrical systems installed on the lower road and 34 out of 46 bells and electrification systems
- According to this contract, the contractor shall carry out the system repair work during the warranty period and after the warranty period, the system repair work will be carried out by the Chief Engineer Signal and Electrical Sub-Department.
- Information about the non functional of the installed bells and electrical systems will be reported to the Chief Engineer, Signals and Electricity sub-department, and further action will be taken by that sub-department
- As of August 2022, 95% of the contract amount has not been paid and 79% of the contract amount has been paid. That is, USD 5,130,659.10 (Rs.801,649,056.41) and no amount has been paid for the last 10 systems.
- The above 94 faulty systems also include 20 systems destroyed by floods and accidents.
- Action should be taken regarding non-compliance.

installed on Puttalam road which means A total of 94 bells and electrical systems remained non-functional. Thus, it had been reported, nearly 50% of the installed bells and electrical systems of non functional, and the Rs. 500 million While the cost of nearly had been a idle cost Due to these not operating bells and electrical systems, Many accidents were involving people and vehicles traveling on approved level crossings with trains in the year under review.

Based on this situation, the lives and properties of the people using the railway crossings have been severely insecure, but the department had failed to fulfill the desired objectives of the project.

Accordingly, the defective systems are 74 out of the systems in use. Those faulty systems have been reduced from 74 to 27 by May 2023. A large number of them have been fixed due to battery damage due to extended power cuts. Electronic components of the remaining faulty systems have been ordered. After receiving the equipment, the remaining faulty systems can be fixed. In addition to this, as long-term plans

1. Centralized Controlled System has been arranged for purchase.
2. Due to the large number of operating systems, it is difficult to carry out the maintenance work to the Signal and Electrical Engineering Sub-Department, so it is planned to outsource the maintenance services from a third party.

- (c) Although the average monthly production of Ambepussa Quarry was 1000 cubes, more than 600 cubes of granite were produced only In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary The causes should be checked and remedied to reach the desired

in the months of January and November of 2022. In the other 08 months, less than ¼ of the target cube quantity was produced, And no production was done during the month from 23 May 2022 to 23 June 2022

to get confirmation from the relevant sub-department.

production capacity.

- (d) If the gabion embankment near the Gelioya railway station is constructed in the same size as the existing embankment, Apart from that, although granite is not required, it was observed that 20 cubes of granite were given to this work site through the store. To increase the amount of granite, Although it had to be done on a new plan, No such new plan was approved until June 28, 2022, the test date.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- While releasing the goods from the store, their need should be properly identified and released only.
- (e) This drain system was being constructed outside the side drain plan No. 22787 prepared by the Chief Engineer (Roads and Industries) in August 2021 for the construction of the drain system on both sides of the dual carriageway in Gatambe, Kandy. It is on the verbal instructions of the Deputy Chief Engineer and District Engineer (top), It was revealed that it was a construction outside the given plan.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- Construction should be done only as per the approved plan.
- (f) The number of railway crossings within the Galle permanent road jurisdiction is 75 and has been established (Bell and Light) The number of railway crossings with bells and lights is 50. Of these (Bell and Light), 31 railway crossings with bells and electricity remained inactive.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- Necessary maintenance should be done properly and their benefits should be acquired.

3.2 Planning

According to paragraph 03 of the public Finance Circular No. 02/2020 dated August 28, 2020, the following deficiencies were detected during the preparation and implementation of the annual action plan.

Audit Observation	Comment of the accounting officer	Recommendation
(a) Action Plan		
As per paragraph 03 of public Finance Circular No. 02/2020 dated 28 August 2020 In order to implement the approved budget estimates for the government agencies for each year, the action plan for the next year should have been prepared and submitted to the Chief Accounts Officer before December 15 of the transition year, but it was not prepared and submitted on that date.	The Action Plan of the Railway Department for the year 2023 was handed over to the Ministry of Transport on 06.01.2023. Kindly inform that it has been approved on 02.02.2023.	Action should be taken as per the circular instructions.
(b) Introduction of the citizens'/ Client' charter		
The citizens'/ Client' charter was not practice according to the which amendment of Public administration circular No.05/2008(1) dated 14 th January 2018 from Public administration circular No.05/2008 dated 06 th February 2008.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department	Action should be taken as per the circular instructions.

3.3 Non- performance of Functions

Audit Observation	Comment of the accounting officer	Recommendation
During the inspection of the annual plans prepared by the Supervisory Manager (Building) for the maintenance work of the Kandy Division, out of the 126 planned works, a very small number of maintenance works such as 26 works had been completed.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	Must be consistent with the annual plan.

3.4 Non-achievement of expected Output Level

Audit Observation	Comment of the Accounting Officer	Recommendation
When the gabion embankment near the Gelioya railway station was constructed, there was no difference in the distance that had been constructed accordingly. And it was observed that while the used gabion nets (box) were not returned to the store by D Note, 23 new gabion nets (box) of 40 meters long had been issued from the store. The actual cost of 20 granite cubes and 23 gabion nets (box) was Rs.681,700.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	Release of goods from store should be done under proper permits and proper records should be maintained.

3.5 Delays in the Execution of Projects

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Out of the 08 new projects proposed in the year 2022 by the Supervising Manager (Buildings) Kandy Division, as on June 28, 2022, the inspection date, only one proposal had been initiated.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	The proposed projects should be completed on time.
(b) In the year 2021, by the Galle Building Division in, was planned to be carried out 07 new proposals with an estimated amount of Rs. 40,600,000, 08 new proposals proposed to be fulfilled in the year 2022 were also not fulfilled due to lack of allocations.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	The tasks should be completed within the specified time as planned.

3.6 Annual Performance Report

Audit Observation	Comment of the Accounting Officer	Recommendation
As per paragraph 10.2 of public Finance Circular No. 02/2020 dated 28 August 2020 and According to Section 16(2) of the National Audit Act No. 19 of 2018, the annual performance report, which should be submitted with the annual financial statements, was not submitted with the financial statements.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	Action should be done according to the provisions of the Audit Act and the circular.

3.7 Foreign Aid Projects

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Mahava-Anuradhapura-Omanthe Railway Upgradation Project under loan assistance under India Line of Credit Agreement.		
(i) Under the terms of the loan agreement with the Indian Exim Bank, an agreement was entered into with Ircon International Limited on July 18, 2019 for USD 91,268,600 to complete the 36-month period from November 29, 2019, for the repair of the Mahawa-Anuradhapura-Omanthe railway line under 04 phases. Although the contractor was supposed to complete the project by November 28, 2022, the physical progress of the project on that day was at a poor level of about 35 percent. Anuradhapura-Vavunia and Vavunia Omanthe road section was under construction from	Not Commented.	The expected physical and financial progress of the project should be achieved by increasing the efficiency of the project.

January 2023 and the work on that section was scheduled to be completed in May.

As of February 2023, the physical progress of the entire project was only 44 percent and as the construction of the Mahava-Anuradhapura road section had not yet started, it was observed that the construction of this project could not be completed even in the year 2023.

(iii) Phase IV (Section from Anuradhapura to Mihintale Junction)

- Before starting the project, trains were running on the same main railway line from Anuradhapura to Mihintale Junction and from Mihintale Junction to Mihintale on the already constructed railway line. In spite of this, Phase IV of the project had awarded the tender for US\$ 672,784.74 for the construction of a separate railway line in addition to the main railway line for the distance of 1.5 km from Anuradhapura to Mihintale Junction.

Not Commented.

Before approving projects and offering tenders, their economic advantages and disadvantages should be properly evaluated.

- Trains run from Anuradhapura to Mihintale only for 3 or 4 days in a year during Poson season and there were no train runs after 2019. Thus from Anuradhapura to Mihintale Junction, Distance of 1.5 km, While it is possible to

Not Commented.

Before approving the projects, its economic advantages and disadvantages should be properly identified and the administration should focus on using the loans obtained for more

run the train on the main line and connect the existing railway line to Mihintale at the Mihintale junction to the main line and run a train to Mihintale for 03 or 04 days a year, the foreign loan money received by the Sri Lankan government for the construction of a separate track is US\$ 672,784 ie Rs. Expenditure in excess of 222,018,720 (672,784 × 330) was questioned during the audit.

efficient, effective and meaningful essential projects.

- (iii) • Currently, train derailments are continuously reported and the loss of railway property due to this has increased. During the construction of the new railway, the need to quickly send the removed rails, spare parts and sleepers to other places where the railway is already in poor condition has not been noticed by the management.

Not commented.

Necessary maintenance work should be carried out promptly using usable materials.
- Due to the implementation of the project, a significant amount of sleepers and other parts that were removed had been damaged and the materials had become unusable. It is observed that removing Sleepers, which have an existence between 10-25 years, in a minimum period of time is an uneconomical decision taken against the

Not Commented.

The decisions taken by the administration and the plans presented should be more effective and meaningful and attention should be paid to it.

original plans. It was observed in the audit that it would have been more effective if the new project had been designed to build a new railway (as a double track) parallel to the existing railway.

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| (iv) | In order to make rail transportation an attractive, cost-effective, environmentally friendly and safe mode of transportation, the decisions and plans made today must be made in such a way that future goals can be met. During the audit, it was observed that the future goals are being distanced from the project(purchases/contracts) plans which are carried out without fixed substantive criteria. | Not Commented. | The decisions and plans taken by the administration should be for sustainable goals that can be achieved in the future. |
| (b) | Through the Feasibility Study for the Improvement of the Railway System under the around the Colombo area Railway Project , and the feasibility study report and detailed plans including the goals expected to be achieved in the next 20 years will be completed by March 2021. Also it had been given to the Sri Lanka Railway Department through the concerned line ministry. For this feasibility study under the Asian Development Bank loan facility Rs. 1,446,952,381 had been spent and the loan installment of US\$ 275,000 was to be paid semi-annually on March 15, 2022 and September 15, 2022. | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. | Feasibility study should be implemented to get desired results. |

However without doing a proper feasibility study and properly identifying the obstacles that arise in the implementation of the respective plan, Due to preparation of relevant plan, by non-implementation of the feasibility study, the money spent for it had become a pointless effort.

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| (c) | As the obstacles arising in the implementation of the Master Plan prepared for the Railway Department at a cost of 1.5 million American dollars obtained under the heads of the Asian Development Bank (Agreement No. TA 9382 – SRI OF 29-10-2017) were not properly identified. That plan has not yet been implemented. | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. | Actions should be taken to achieve the desired results by implementing the operational plan. |
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3.8. Procurement

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) It had been informed to the supplier On April 02, 2019 as a second time, that purchased under Item No. 06 while purchasing spare parts for M4 – class locomotives, Panel model 17FL11C1 for over speed protection & Transition Speed Event The item is in unsuitable condition. Accordingly, regarding this item which was rejected for the second time, it was sent again on 05 September 2019 and	A Technical evaluation Committee has been appointed to prepare a formal contract format without prejudice to both parties and to make recommendations regarding the drafting of documents and to prepare a new tender document in accordance with the currently used tender documents procurement guidelines and to include the conditions, terms of payment, security	While dealing with the agreement, provisions for such situations should be strongly included in the agreements.

these items amounting to Rs.1,202,864 (110.71×10,895) were not provided even by 31 December 2022.

etc. included therein. The committee has now drafted the relevant bid documents and after submitting to the procurement committee and obtaining approval, this situation can be minimized in future procurement activities.

- (b) In the purchase of spare parts for M4-class locomotives, the item number 06, which was rejected for the second time, was informed to the relevant agency, the warranty period of that item had expired and even by December 31, 2022, the agency had not given any response in this regard.
- To prepare a new tender document in accordance with the currently used tender documents procurement guidelines and to include the conditions, terms of payment, security etc. included in it, and also A Technical Appraisal Committee has been appointed to prepare a formal agreement format without prejudice to both parties and make recommendations regarding the drafting of documents.
- Action should be taken to the against that organization.
- (c) Although the purchase of spare parts for M4-class locomotives was started in the year 2011, it was not possible to meet the requirement of the goods due to the non-availability of the relevant goods until the year 2022 and thus non-essential goods were ordered.
- This item is a spare part required for M4 engine maintenance and nine items were procured under RLJ 3158/16. All those items have now been taken from the store as needed and used for repair work. Therefore, this item is not a non-essential item and could not be used to fulfill the requirement because the supplied item is defective and the correct item has not been re-supplied by the supplier.
- Goods should be ordered only on exact requirement.
- The supplier has delivered the goods twice so far and since the samples are defective, the supplier has been requested to re-deliver the goods. A bank guarantee should be given to return the

first item provided by them also ,An agreement has been reached with the concerned supplier that the items can be delivered after providing it. Moreover And the latter agreed to return the supplied item to the supplier and the agency has also agreed to replace those items with items that are in working condition.

- (d) The audit had been controversial, Although arrangements were made to purchase the railway carriages stating the urgent need for repair, Due to not being able to make this purchase within 04 years from 2018 to the end of 2021 and due to being told that there is no stock in the stores. And how the repairs were carried out is problematic for the audit and resorting to very large purchases as urgent needs are actually done according to the need has also controversial. This item is a spare part required for M4 engine maintenance and nine items were purchased under RLJ 3158/16. All those items have now been taken from the store as needed and used for repair work. Therefore, this item is not a non-essential item and could not be used to fulfill the requirement because the supplied item is defective and the correct item has not been re-supplied by the supplier. Purchases should be based on only actual requirement .
- (e) Although the supplier was informed on October 19, 2020 that the spare parts ordered under RJFM/3432/17 were sent less and that they should be supplied again, the supplier has not taken steps to supply the outstanding spare parts amounting to Rs. 4,780,740 or to refund the related money until now. Although more than 02 years had passed since the payment, the agency was not able to take any action against the supplier regarding the under-supply of goods due to 100% of the full amount must be paid to the supplier as per the current letter of credit opening conditions. However, upon detection of non-supplied goods, the relevant suppliers will be notified and arrangements will be made to bring them back or refund the amount. All important terms and conditions of procurement should be agreed upon and procurement guidelines should be followed. If the weaknesses in the procurement process are due to the negligence and delays of the officials, action should be taken against the officials who are liable for the loss. But in order to reduce this situation, in order to comply with the currently used bid document procurement guidelines and to include the conditions, payment

the non-inclusion of the terms of the agreement regarding the under-supply of goods, non-keeping of deposit and non-obtainment of performance security as per the procurement guidelines. According to all the above facts, the amount of Rs. 5,631,510 which had been paid for the goods that were not supplied had become a loss to the government.

- (f) Although the supplier was informed on 04 occasions to provide the outstanding goods ordered under RWS/3367/15 but not supplied, even as of 15th July 2022, which was the audit occasion, the supplier had not provided the outstanding goods amounting to Rs. 3,697,022 or refunded the money related to it. Even though more than 03 years had passed since the supply of a part of the goods, the agency had not been able to take any action against the supplier due to the non-inclusion of the terms of the agreement regarding the less supply of the goods and the non-obtainment of performance security as per the provisions of the Procurement Guidelines Code. According to all the above facts, the amount of Rs.4,714,396 which was borne for the goods that were not supplied due to the weaknesses in the process of purchase by indent and the negligence and delay of the officials had become a loss to the government.
- 100% of the full amount must be paid to the supplier as per the current letter of credit opening conditions. However, upon detection of non-supplied goods, the relevant suppliers will be notified and arrangements will be made to bring them back or refund the amount.
- In procurement, all important terms and conditions should be agreed upon and procurement guidelines should be followed. If the weaknesses in the procurement process are due to the negligence and delays of the officials, action should be taken against the officials who are liable for the loss.
- But in order to reduce this situation, in order to comply with the currently used bid document procurement guidelines and to include the conditions, payment conditions, obtaining a security, etc., a new bid document is being prepared and a formal agreement format is being prepared so that both parties are not prejudiced.

3.9 Assets Management

The following observations are made.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	Annual Physical Verification		
(i)	A Physical Verification was conducted on January 11, 2022 at the Kandy Building Office, where 40 types of goods were declared as unusable goods using the common 47 form. Although listed under Finance Regulation 877, no action was taken to remove these items from the inventory register.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	Action should be taken as per the Finance regulations and circular instructions.
(ii)	According to a physical verification conducted on 01 August 2019 at the Kandy Building Office, 88 items were found to be unfit for use. Although those intended for abuse, In that regard, no steps have been taken to remove the material from the stores by following the proper procedures	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	Action should be taken as per the Finance regulations and circular instructions
(b)	Underutilized assets		
(i)	Although there are 165 official houses maintained by the Supervising Manager Galle Building Division, 48 houses have not been applied for occupancy.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.s	Action should be taken to put to better utilization asset and earn income through that.

During the audit, it was observed that due to lack of occupancy, the quarters were in a dilapidated condition and thus incurring huge costs for frequent maintenance.

The administration had not focused on measures such as settling the concerned persons in these quarters or, failing that, on a temporary basis for the needs of other departments or to earn some income from it.

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| (ii) | In the Sri Lanka Railway Department's SRS fuel store, 21 items of lubricating oil and other stock items had been stored unused for many years and had become unusable. | Already D.S. No. Du.Sa/Sam/05/02/19/2021 and by letter dated 22.02.2021 No. Items bearing 1,2,3,4,6,7,8,18,19,20,21 have been approved for sale by tender on the recommendation of Metallurgical and Laboratory Scientist. Accordingly, I inform you that it will be included in a future tender and removed. | Purchased stock should be utilized. |
| | | Please be advised that the sub-departments used for the above items will be consulted and re-order levels will be reconsidered before expiry. | |
| (iii) | Out of the 140 quarters belonging to the Vavuniya jurisdiction, it was observed that only 54 quarters were inhabited by officers, while other quarters were in a state of repair and in very dilapidated | Not Commented | Asset utilization should be done more carefully. |

condition. In some quarters, windows, doors and even doors had been removed by thieves.

- (iv) Out of the 100 passenger coaches imported from China, 17 passenger coaches have been put into operation and other coaches were parked at Maligawatta and Ratmalana yards and some more coaches were parked at Puttalam railway station.
- Currently, the status of the 100 Chinese cars is as follows.
- All purchased passenger coaches should be put into operation.
- Number in operation – 19 (02 trainsets)
 - Number of ready to run – 06
 - Number of Parked in Palace Yard to be sent for repair - 40
 - Number under repair of palace yard - 02
 - Number sent to Ratmalana factory for repair - 32
 - Number of out-of-run due to accident – 01

The carriages parked at Puttalam railway station have been sent to the Ratmalana factory for repair. The Ratmalana factory was temporarily parked at the Puttalam railway station as there was no place to park it until it was sent for repairs.

A part of the railway land belonging to the Maligawatta yard was informally handed over to outside parties so that the Maligawatta yard could be expanded and the capacity to park the coaches would be lost. Due to the delay in widening the yard so that the land can be freed and the train carriages can be parked, the carriages to be repaired

have to be parked in distant places like Puttalam, Anuradhapura, Galoya.

- (v) Kandy Supervising Manager (Buildings) office maintains 272 flats out of which 96 flats are currently unused for residence. In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. Action should be taken to earn maximum utilization of assets
- (vi) The tourist house with 07 large rooms built by Vavrukannala has been idle since 2019 and despite providing security with a guard, the building and all the rooms were dilapidated. In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. Action should be taken to made usable and get its economic benefits.
- (vii) The buildings of 2637 square feet and 1730 square feet respectively which can be used for supermarkets in Kekanadura and Beliatta multi-purpose buildings have been idle since 2019 and it was observed that the buildings are being used by outside parties for various anti-social activities. In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. Action should be taken to made usable and get its economic benefits .
- (c) Leasing of land
- (i) The railway department had requested to lease 20.6 perches railway reserve from Valachchena main road No. LA/01/16 to a sales representative of Sri Lanka Petroleum Statutory Corporation from August 31, 2013. In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. Leases should be formally contracted and legal action should be taken against unauthorized use or usage fees should be collected.

Although the General Manager of Railways had given approval for this on February 07, 2016

As of December 31, 2022, the land had not been leased and the charges for the use of the land amounting to Rs.1,420,975 had not been collected.

- (ii) Unauthorized acquisitions of reserved land held by the Railway Department were observed by outsiders and during the inspection of "file details related to Railway Reserves" there were 39 cases of unauthorized acquisition of land belonging to the Northern Railway.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- Action should be taken as per the rules and regulation.
- (iii) In the years 2018 and 2019, a part of these railway reserved lands was rented out temporarily during the year from mobile shops from that department had received income of about Rs. 06 lakhs.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- Railway Reserves should be properly rent and revenue collected.

It was observed during document inspection that due to non-adherence of such formalities at present, unauthorized traders were using Railway Reserves without payment for their business activities.

- (iv) There was a railway line starting from the Superintendent Manager Roads and Industries Office near the Jaffna Railway Station and passing through Hospital Road, Shore Road, Kandy Road and up to the Jaffna Jetty.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- Railway Reserves should be properly rent and revenue collected.

The railway line and all the railway reserve lands related to it have been acquired by the local residents and are being enjoyed for more than 20 years. This property had been misused by the responsible railway authorities not taking any action in this regard.

(d) Inactive Asset

- (I) 108,133 printed tickets worth Rs. 42,680,625 issued before seat allotment and tickets were issued by computer machines at Kurunegala railway station had been removed from use.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- Unused stock should be disposed of.

- (ii) There were 35,602 unsold train tickets worth Rs.7,949,590 to be sent to the head office of the Sri Lanka Railway Department at Gampaha, Ganewatta, Kurunegala, Ambepussa stations. No action had been taken in this regard by the end of the year under review.
- In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.
- Unused stock should be disposed of.

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| (iii) | There are approximately 805 chains of embanked turns in the Nanuyoya road sector in the Nanuyoya permanent road jurisdiction in the upper district. From that , about 382 chains are check rails made of rails and the remaining 423 chains are imported check rails (Bulb Angle Checkrail). As well as All the imported embankment tracks in this sector were manufactured between 1900 and 1910 and all of them were worn out and unusable. | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. | Repairs should be done at regular intervals and disposals should be done properly. |
| (e) | Controlling Vehicles

Due to accidents , 08 vehicles belonging to the Railway Department were disabled and regarding them Finance Regulation No 104 had not been dealt with. | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. | Action should be taken as per the finance regulations. |

3.10 Losses and Damage

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Due to the fact that updating the seat reservation system to online system is entrusted to a single officer, The government had to	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	Powers should be formally delegated on a case-by-case basis.

bear a financial loss of Rs. 464,650 due to the fact that it took 03 days to update the change in train number 1029/1030 on March 24, 2022 and it could not be updated immediately.

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| (ii) | Damages and losses of Rs.1,933,381 were included in the damage and loss registers. Losses and omissions were not included in the statement. | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. | All damages and losses should be recorded. |
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3.11 Uneconomic Transactions

Audit Observation	Comment of the Accounting Officer	Recommendation
The 12 unauthorized constructions and acquisitions had been reported in the Nanu Oya permanent road area. Necessary arrangements were not made to remove the unauthorized constructions and hand over the land to the Railway Department.	In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.	Unauthorized uses should be prevented and dealt with properly.

3.12 Failure to reply Audit Queries

Audit Observation	Comments of the Accounting Officer	Recommendation
The 21 audit queries issued for the examination of transactions in the year 2022 have not been answered so far.	In the year 2022, 67 Auditor General inquiries were submitted. As on 31.12.2022, 43 of them have been answered. Remaining 24. Out of which, by the end of April 2023, 20 remain to be answered. I would like to point out that arrangements have been made to give prompt answers to that.	According to the instructions of the National Audit Act No. 19 of 2018, answers to audit queries must be given within 21 days.

3.13 Management Weaknesses.

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) Although the approval for the relevant payments should be given after ensuring that the goods have been received in proper quality and in correct quantities by the officer certifying the payments, the total value of the letter of credit had been paid without such confirmation. Goods worth 63 percent of the contract amount were in poor condition and the warranty period was also irretrievably exceeded.</p>	<p>In order to reduce this situation, the bid documents currently used in accordance with the Code of Procurement Guidelines and A technical evaluation committee has been appointed to prepare a new bid document to include conditions, terms of payment, security, etc., and to prepare a formal contract format without prejudice to both parties. The relevant tender documents have been drafted by the said committee and after being submitted to the procurement committee and getting approval, I inform you that this situation can be reduced to a large extent in future procurement activities.</p>	<p>Transactions should be done only under formal assurances and approvals.</p>
<p>(b) The main building of the Ganewatta railway station was so dilapidated that it was unusable and was decommissioned</p>	<p>In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department.</p>	<p>Necessary facilities should be provided to run the day-to-day activities properly.</p>

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| (c) | It was observed that Rails and Dog Spikes were present in the Ganewatta Permanent Road Inspectorate. The administration was not focused on providing these materials as scrap metal as per current market demand. It was observed that an income of Rs. 14,788,800 could have been obtained if these materials could be sold according to a formal method. | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. | Misappropriation should be done and income should be obtained as per the Finance regulations and circulars. |
| (d) | In relation to 05 railway stations, the long-standing No Debits documents of A balance of Rs. 2,895,900 had not been taken into Government revenue or settled. | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. | Long standing balances should be settled. |
| (e) | It was observed that „Slow selling 7497 train tickets worth Rs. 2,367,040 were available at Ambepussa station | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. | Arrangements should be made to send it to the head office. |
| (f) | Due to the fact that the clearance work is not carried out efficiently and promptly during the importation of goods, a large sum of money has to be paid annually in the form of late fees and interest. The amount so paid during the year under review was Rs.5,044,787. The payment of late fees and interest had become a normal activity of the company and the value of late fees and interest paid from the year 2018 to the year 2021 in relation to the store advance account was Rs. 73,921,280. | On delay in submission of documents while paying for imported goods, And according to the bank was charged the amount of interest charge and late charges incurred on imported goods during the year under review and the amount received from the treasury , the goods are cleared . I point out that it is inevitable that the shipping corporation will have to pay late charges due to late receipt of the funds | The reasons for late charges and interest payments should be investigated and the mechanism of importing goods should be made efficient |
| (g) | The amount of 6000 feet long Rails located at several places within the jurisdiction of the Galle Permanent Road Inspectorate was not recorded in the stock books. The amount of scrap Rails found in a | In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the | Records of removed Rails should be kept in the stock books and they should be properly disposed of and the attention of the |

- survey in the first months of 2022 was formally taken to stock books and the revenue of Rs. 13,440,000 that can be obtained by selling it at the current market prices was not focused on the administration until the end of the reviewed year.
- relevant sub-department. administration should be focused on revenue generation.
- (h) There were 15174 feet of 45'-30' Scrap Rails and 21459 feet of 6285 feet of other types in the jurisdiction of the Kandy Permanent Road Inspectorate. In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. The administration should work to generate income through income generating items. The administration was not focused on getting the revenue of Rs.42,918,000 which could be obtained by selling these at Rs.2000 per foot (excluding VAT and other taxes) based on the strong demand in the market.
- (i) There was a stock of unusable scrap metal worth Rs.27,831,650 in the Galle Permanent Road Inspectorate area. In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. The administration should work to generate income through income generating items. The administration did not pay attention to the income that could have been obtained by selling those materials.
- (j) It was observed that a stock of 605'6" long rails that cannot be reused was stored insecurely in the premises of the Weligama Permanent Road Inspectorate. In this case, I would like to kindly inform you that there was not enough time to answer this, as it is necessary to get confirmation from the relevant sub-department. The administration should work to generate income through income generating items. The administration did not pay attention to the opportunity that the department could have received an income of Rs. 1,356,320 according to the prevailing market price in a time when there is a strong demand for iron.
- (k) In the process of selling 3,113,080 kilos of unusable scrap iron by tenders initiated in 2017 and 2018, the following deficiencies had occurred.

(i)	Non-appointment of bid opening committee.	Not Commented	A bid opening committee should be appointed.
(ii)	Technical Committee has given two reports on 2 occasions.	Not Commented	Disciplinary action should be taken against the officials in connection with the timely and transparent sale of tenders so as not to cause loss to the government.
(iii)	The institutions that were not considered for the initial report by the technical committee were considered in the second instance and the tender was offered to those institutions and there a lower price was received instead of the maximum price	Not Commented	
(iv)	The tender committee's decision to award the tender was canceled by the ministry secretary and then given to those institutions again after 02 years.	Not Commented	
(v)	Loss of Rs.31,898,426 due to the fact that the railway officials rejected the request for iron at a higher price (Rs. 60) by the companies that won the tender.	Not Commented	
(vi)	Due to resorting to the arbitration process the government had been spent Rs.944,600	Not Commented	
(vii)	If the tender was awarded even at the lowest price in the first instance, the government would have lost Rs. 44,917,048 worth of investment interest for that amount.	Not Commented	

4. Achievement of Sustainable Development Goals

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the Railway Department had formulated sustainable development objectives according to its scope to reach the objectives mentioned in the 2030 Agenda for Sustainable Development, it had not identified targets to measure its progress..	Not Commented	Sustainable development goals and targets should be identified in accordance with the scope of the department and indicators for measuring its progress should be identified accordingly

5. Good Governance

5.1 Rendering of Services to the Public

The following observations are made.

Audit Observation	Comments of Accounting Officer	Recommendation
In the year 2022 alone due to the existing problems and other weaknesses in the railway system of the Railway Department, 117 train derailments were reported. Due to this, the department had not properly determined the loss incurred to the railway line and the cost to restore it. And necessary arrangements were not made to identify the parties responsible for it.	Not Commented	Responsible parties should be identified and action should be taken as per financial regulations and disciplinary procedures.

6. Human Resource Management

6.1 Approved staff and actual staff

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the staff data submitted for audit by the department, the total number of approved staff vacancies as on 31 st December of the year under review was 8821. It is 43 percent of the approved number of employees.	Agreed. The approved number of primary level was 4043. Currently there are no vacancies	Staff vacancies should be filled as soon as possible

6.2 Human Resource Development Plan

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the Public Administration Circular No. 2/2018 dated January 24, 2018, of Development of Human Resources provided a guideline to the well planned development of the human resources belonging to Public Service is critical for the engagement of Human Resource in the Public Service of Sri Lanka for the development of the Country in a more productive and efficient way. Accordingly, a human resource development plan was not prepared based on the Annex 02 format	Human resource development plan is being prepared.	It should be done according to the circular

mentioned in the circular in order to achieve the above objectives. And The signing of the Annual Performance Agreement for all the staff which should be done from the year 2018 based on the Annexure 01 form of the circular had not been done.