

Head 306 - Department of Sri Lanka Railways

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Department of Sri Lanka Railways for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021, 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 31 May 2022, In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 30 May 2022 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
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1.6.3 (a)	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.	Arrangements should be made to settle the balance shown in the account as overestimates.
1.6.3 (b)	Bank interest on delay in submission of documents while paying for imported goods Rs. 12,584,035, demurrages to the shipping corporation Rs. 3,520,605, to Sri Lanka Port Authority Rs. 1,412,528 and a private institution Rs. 1,000,550 including a paid amount of aggregating Rs. 18,517,718 was an expense incurred on account of various inefficiencies and the cost of annual stock receipts was overstated on account of the addition to the stock value.	Only expenses that can be added to the stock value should be included.
1.6.4 (a)	As per departmental books, the opening balance of the Advance Control Account of Government Officers is Rs. 1,397,662,700 and, according to the treasury notes it was Rs.1,401,840,505. Thus between departmental books and treasury books, There was a difference of Rs. 4,177,805. This balance, which has existed since 2004, could not be settled until now.	The reasons for the change should be investigated and resolved.

- 1.6.4 (b) The difference between the Government Officers Advance Control Account balance and Individual Classification Summary balance a sum of Rs. 1,110,101 had remained unsettled. -do-

1.6 Comments on Financial Statements

1.6.1 Non-compliance with Generally Accepted Accounting Principles

Audit Observation	Comment of the Accounting Officer	Recommendations
(a) According to Sri Lanka Public Sector Accounting Standard No. 07, the cost of bringing the property, plant, and equipment to their current position and condition should be accounted for, excluding the cost of the assets of Rs. 72,807 million identified as the opening balance of the account in the year 2021 and, the necessary information was not submitted to the audit to be satisfied that all the above expenses had been included.	That, other information relating to the value of the costs indicated by the accounts will be submitted to the audit in the coming year	According to Sri Lanka Public Sector Accounting Standard No. 07, property, plant, and equipment costs must be properly accounted for.
(b) As of 31st December 2021, the total cost of the 120 passenger cars brought to Sri Lanka and related port fees, customs fees, insurance fees, transportation fees and transportation fees from the port to the yard is Rs. 13,000,483,427 was not accounted for under property, plant and equipment during the year under review.	The cost related to the 120 carriages purchased has been met through Indian foreign loans. Because, the related accounting activities could not be accounted for in the year 2021 due to the delay in the occurrence through the Department of External Resources, the accounting will be done in the year 2022.	Assets must be properly accounted.

1.6.2 Non-compliance with Circular Instruction for Financial Statement.

Audit Observations	Comment of the Accounting Officer	Recommendations
<p>According to Public Accounts Guidance No. 2021/03 dated 26th November 2021, the basis of reporting to be presented with the Financial Statements was not presented.</p>	<p>That the inclusion of this form in the account was missed due to a late error and that it will be submitted with the next year's Financial Statement.</p>	<p>Financial Statements should be presented accurately as per Public Accounts Guidelines.</p>

1.6.3 Accounting Deficiencies'

(a) Financial Performance Statement.

Audit Observations	Comment of the Accounting Officer	Recommendations
<p>(i) In the Statement of Financial Performance, the deposit receipts and payments should be shown as per the treasury book values but, as per departmental consolidated Trial Balance, the deposit receipts and payments values were shown.</p>	<p>This was due to a late error in the preparation of the Financial Statements and, the difference between the value as per the Financial Performance Statement and the Deposit Receipts and Payments according to the Treasury Printed Notes is the same value and it has not made any difference to the final result of the Financial Performances statement. That, this error will not happen at the next year.</p>	<p>The correct value should be indicated as per the Treasury Books</p>

- (ii) Adjustment of the Imprest balance to the balance as of 31st December 2020 in the Statement of Financial Performance following paragraph 7.5 of the Public Accounts Guidance No. 2021/03 dated 26th November 2021 Financial as per Director General of Public Accounts' letter No. SA/MAA/02/01/01 dated 12th January 2022 Changes to the Financial Statement forms under the publication basis of reporting should have been disclosed in a note under Reconciliation of the prior year comparative values but were not done so.
- Although this adjustment has been correctly made in the Financial Statements, the form containing the basis for reporting a late error has not been included in the Financial Statements. That, this error will not happen next year
- To be done according to Public Accounts Guidelines.

(b) Statement of Financial Position

Audit Observations	Comment of the Accounting Officer	Recommendations
<p>(i) According to the Statement of Financial Performance in the year 2021, acquisitions of Capital Assets were Rs. 23, 262,468,064 and according to Statement of Non-Financial assets (ACA-6) and Treasury Printed SA 82, the value of purchases was Rs. 1,371,353,774. The difference was Rs. 21,891,114,290.</p>	<p>Included in the Financial Performance Statement is the cost of the expenditure head and in the non-financial assets statement included in the asset purchases is the asset purchase value as per the asset module of the CIGAS program from November 2021. That, these changes will not arise in the year 2022 as the CIGAS asset module has been</p>	<p>Asset purchases must be accurately reported to the treasury.</p>

operational since the beginning of the year 2022.

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| <p>(ii) Although, as of 31st December 2020, the value of Non-Financial Assets was Rs. 245,322,655,012, the opening balance of the non-financial assets statement was Rs.480,429,150,059. According to that, the difference was Rs. 235,106,495,047. If 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 was not done.</p> | <p>Since, the data is updated according to the CIGAS program; the values of these assets are updated, so the opening balance values are increased.</p> | <p>Any difference in the balance of the year under review with the closing balance of the previous year should be disclosed by way of a note in the Financial Statement.</p> |
| <p>(iii) The land and properties owned by the Railway Department were identified and their correct value was not included in the Statement of Non-Financial Assets.</p> | <p>Not replied.</p> | <p>Assets should be properly accounted.</p> |

(c) **Deposit Account**

Audit Observations

**Comment of the
Accounting Officer**

Recommendations

The income of Rs. 60,584,879 from the sale of discarded scrap materials to be credited to the revenue of the Railway Department was recorded as a contract security deposit under account number 6000-0-0-002-0-097-0. Further, these incomes were kept in the deposit account for more than 02 years.

A sum of Rs. 60,584,879 was received from the sale of scrap materials retained under deposit accounts and, it can be transferred to the income after the completion of the relevant works this year.

Deposits should be classified correctly.

(d) **Statement of Cash Flows.**

The following are the audit observations revealed in this regard.

Audit Observations

**Comment of the
Accounting Officer**

Recommendations

Credit amount to the expenses in the Cash Flow Statements were incorrectly shown as non-revenue receipts. Expenditures shown under expenses in Cash Flow generated from operating activities (personnel salaries, capital, other recurring, subsidies and transfers, expenses incurred for other expenditure heads) and physical Assets shown expenses under Cash Flow generated from investing activities should be shown by deducting the credit value from the debit value of the asset purchase expenses, only the debit value of the expenses was shown.

That, the expenditure has been prepared and presented in accordance with Sri Lanka Public Accounting Standards No. 02 and that, the instruction had given according to the accounting circular as to prepare in the direct method.

Expenses should be recorded accurately in the cash flow statement.

(e) **Advances to Public Officers "B" Account.**

The following are the audit observations revealed in this regard.

Audit Observations	Comment of the Accounting Officer	Recommendations
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(i) As per departmental books, the opening balance of the control account is Rs. 1,269,564,455 and, according to the treasury notes 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, action had not been taken to settle this balance.	Officials have been instructed to discuss with the Treasury and arrange for future settlement.	The reasons for the change should be investigated and resolved.
(ii) The total difference of Rs. 1,620,898. Between the departmental control account balance and the individual balance classification summary was not taken steps to settle.	The difference between the control account balance and the total of the single balance classification summary is Rs. 1,620,898, and out of which Rs.903,921 have been identified and it is being settled the balance of Rs.716,977 will be corrected after the confirmation.	The reasons for the change should be investigated and resolved.

(f) **Stores Advance Accounts.**

The following are the audit observations revealed in this regard.

Audit Observations	Comment of the Accounting Officer	Recommendations
<p>(i) Basis of accounting and policies adopted for preparation of stores Advance Account of Railway Department 2021 were not disclosed.</p>	<p>Not Replied.</p>	<p>The basis of accounting and policies adopted to prepare the store's advance account should be disclosed.</p>
<p>(ii) The difference of Rs.403,366,221 was shown as overestimated due to the discrepancy between the opening and closing balances of the stores advance account as per the departmental books and as per the treasury computer printouts.</p>	<p>I agree with the balance change. The reason for the long-term balance change is that it is difficult to find information about it.</p>	<p>Arrangements should be made to settle the balance shown in the account as overestimates.</p>
<p>(iii) On delay in submission of documents in payment for imported goods as bank interest of Rs. 15,150,834, as demurrages to the shipping corporation Rs. 1,200,098, Rs.2,544,785 to the Sri Lanka Port Authority and for private institution Rs. 1,995,755, including the paid amount of aggregating Rs. 20,891,472 was an expense incurred on account of various inefficiencies and the cost of annual stock receipts was overstated on</p>	<p>It is accepted that the value of stock receipts increases due to the addition of expenditure on imported goods and the reason for this is the delay in providing funds by the government.</p>	<p>Arrangements should be made to settle the balance shown in the account as overestimates.</p>

account of the addition to the stock value.

- (iv) A sum of Rs. 9,079,768 had Shown as payments (debits) during the year in the store's advance account and the debits during the year were overstated by that amount. Agreed. Since all the expenses are done by the advance amount given to the port authority from the store's advance account at the beginning of the year, the port charges of the goods purchased under that expenditure head have also been paid with the advance amount. That, it will be corrected in the coming year. Only expenses that can be added to the stock value should be included.

(g) Un-Authorized Current Losses

Audit Observation	Comments of Accounting Officer	Recommendation
There was a current loss of 13 million rupees in the store's advance account and it has not been cleared till now.	Not Replied.	According to the Financial Regulations, arrangements should be made to reserve treasury provisions to meet the current losses of the respective agencies.

1.6.4 Absence of Audit Evidence.

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

Audit Observation	Comments of Accounting Officer	Recommendation
As of December 31 of the year under review, the amount of Rs. 268,627,824 presented in the store's advance account could not be satisfactorily verified due to the non-presentation of schedules showing time analysis and composition concerning 05 accounting subjects.	That, a time analysis related to 5 account subjects will be prepared and presented under the store's advance account.	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
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(a) <u>Revenue</u>		
The income of Rs. 2,678,724,988 for the year under review was less than 41 percent of the income amounting to Rs. 4,566,646,432 for the year 2020 and, relatively decreased by 66 percent of Rs. 7,901,325,666 in the year of 2019.	During the past 02 years, revenue has decreased due to the imposition of movement restrictions, limited staff calls, and quarantine curfews during the period of the Covid-19 pandemic.	The reasons for the decrease in income should be investigated and measures should be taken to increase the income.
(b) <u>Arrears Revenue</u>		
(i) Although, as on 31st December 2020, the Arias Revenue balance was Rs.1,540,268,161, in the statement of Arias Revenue for the year 2021 (ACA (i) form), the opening balance was shown as Rs.1,545,156,073, and a difference of Rs.4,887,912 was revealed. If 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	As per the arrears report certified by the Deputy General Manager (Commercial), there are arrears for shop rent and electric screens up to 31.12.2018.	The deficit income should be properly accounted for and if there is a difference between the balance compared to previous years, it should be disclosed in a note.

financial statement, but it was not done.

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| <p>(ii)</p> | <p>Arrears rent related to Panadura stores which were included in the store's income as of 31st December 2021 is Rs. 351,975, but in the financial statement it was shown as Rs.181,200, and the deficit income was understated by Rs.170,775.</p> | <p>This value was missed due to an error in data copying during the preparation of reports on shortfall income. Even so, in the necessary arrangements to collect this deficit, the necessary arrangements have been made to collect the total outstanding amount of Rs.351,975.</p> | <p>Rent arrears must be properly accounted for.</p> |
| <p>(iii)</p> | <p>A sum of Rs.769,194 remained Under the License 01 account before the year 1985, and at the end of the year under review, the said balance had not been settled.</p> | <p>Due to not being able to find information about how the value of Rs.769,194.00 stated under license 01 account has been set up, it is also not possible to apply for write-off and since the past only the value has been shown in the books and there are no subject officers who can help to find the information that has not been possible.</p> | <p>Arrangements should be made to promptly recover the old arrears of revenue.</p> |
| <p>(iv)</p> | <p>In 2019, the outstanding license income had grown by 372 percent over the outstanding license 02 account incomes of 2018, and in 2020; it had grown by 1,210 percent.</p> | <p>At the beginning of the year 2019, there was Rs. 5.366 million in relation to the year 2018 and as of 31.12.2020 it was up to Rs. 1.885 million and in relation to the year 2019 the outstanding income value was Rs. 297,562 million as of 31.12.2020. Although it was possible to reduce to Rs. 8.99 million, due to the existing covid 19 epidemic situation, it is difficult to collect the outstanding amount further.</p> | <p>Reasons for the growth of deficit income balances should be investigated and recovered promptly.</p> |

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| (v) | An amount of Rs. 1,056,668 was shown as the balance due to the Railway Department on 03 occasions from 2013 to 2021 during the checking of the accounts related to the Batticaloa railway station, but the said balance had not been settled until now. | Not Replied. | Arrangements should be made to settle the outstanding income balance. |
| (vi) | Due to 197 government institutions before 1987 Rs. 7,378,328 and between the period 1990 to 2020 a sum of Rs. 1,766,387 which was recovered from 187 government institutions as an aggregating amount of Rs. 9,144,715 outstanding license balances were observed and those recoveries were not satisfied in the audit. | The calculation of monthly passenger revenue shows a difference every month as there are additions and settlements to the revenue. That it will inevitably balance itself out in future calculations. | Actions should be taken to recover old loan balances promptly. |
| (vii) | According to the financial statements, as of on 31st December 2021, a deficit balance of Rs.12,755,632 was shown as outstanding passenger revenue, but the total of the individual balances of the railway stations was Rs.12,268,412, a difference of Rs.487,220 was observed in the outstanding passenger revenue | The relevant departments have been informed to collect the respective balances from the station masters. | The reasons for the change should be investigated and resolved. |
| (viii) | The unsettled outstanding passenger income of the retired station masters who worked in 07 stations was Rs.87,100. | Although, there has been a delay in balancing, it will be settled in the future. | Arrangements should be made to settle the non-outstanding revenue arrears. |

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| (ix) | Due to certain railway stations and sub-stations, the arrears have been settled by those stations, but due to the failure of the main finance department to issue separate credit notes, the outstanding balance of those stations is Rs. 511,217 were shown in the accounts. | I accept that due to the Covid 19 pandemic situation, office work is not going on as usual, and due to the limitation of staff calls, there may be a delay. That will be settled in the future. | Arrangements should be made to clear the outstanding balance. |
| (x) | Station General Accounts of 04 Railways out of 09 Railways were last prepared at 66 railway stations till December 2019. Public accounts of 70 railway stations on the other 05 routes were prepared only till January 2020. It was observed during the audit that this percentage is as low as 37 percent. | Not Replied. | Public accounts of railway stations should be prepared immediately for comparison. |
| (xi) | By the end of the year under review, 31 institutions have spent Rs. 120,476,948 outstanding, and due from 16 institutions Rs. 20,307,403 were outstanding balances more than 21 years old. | That, the letters sent to those institutions have been returned due to the inactive and closed institutions and those necessary measures will be taken to reduce this value in the future. | Urgent action should be taken to recover arrears. |
| | <ul style="list-style-type: none"> • From 2017 to 2020, outstanding trade bills worth Rs. 1,696,225 were not collected in 2021. | That, the relevant agencies have been informed by letters from time to time for recovery of arrears. | -Do- |
| (xii) | Arrangements had not been made to account for the arrears of income due from land leases. | Not Replied. | Arrangements should be made to account for land tax arrears. |

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| <p>(xiii) Concerning 158 Railway Reserves belonging to the District Engineer - Central (North) Office, the outstanding revenue value above Rs.50,000 as on 31st December 2019 was Rs.53,708,793.</p> | <p>Not Replied.</p> | <p>Actions should be taken to recover the arrears promptly.</p> |
| <p>(xiv) The lease period of the two canteens at Polgahawela station, Udu Mahal canteen of Kandy station, and Anuradhapura station canteen should have ended on 04th April 2020, 02nd July 2021, and 30th November 2021 respectively. According to this and according to the above lease agreements, the arrears of taxes, arrears of electricity charges, arrears of water charges, and tax concessions should be paid by the respective lessee a sum of Rs. 1,338,946 remained as uncollected until 31st December 2021.</p> | <p>Not Replied</p> | <p>Steps should be taken recover the bills of electricity, water and rates which was lease out by canteens.</p> |

2.2 Incurring Commitments and Liabilities.

The audit observations revealed in this regard are given below.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) According to paragraph 3.3 of the Public Accounts Guide No. 2021/03 dated 26th November 2021, in the financial statement as of 31st December 2021, all obligations should be disclosed by numbers, but the obligations and liabilities worth Rs. 196,113,306 related to 05 sub-departments of the department were not disclosed in the accounts.</p>	<p>The procurement process of this department is a continuous purchasing process that does not end in a year. Since all purchases cannot be limited to the existing provisions for one year, it is problematic to clearly identify the liabilities and compare them with the provisions, and that only the provisions allocated in the coming years will be made binding.</p>	<p>Proceed as per the provisions of the State Finance Circular.</p>
<p>(b) Liabilities presented with the financial statements of each sub-department as at 31st December 2021 should have been equal to the value shown in the Treasury's SA 92 Accumulated Liability Report, but there was a difference of Rs.109,309,483 between the balances.</p>	<p>-Do-</p>	<p>Liabilities shown in the statement of accumulated liabilities of the treasury should be shown in the statement of liabilities in the financial statements.</p>
<p>(c) In order to verify the balance of Rs.34,557,584 shown as liabilities of Roads and Industries sub-department in the accumulated liabilities report bearing SA92 of the treasury, the documents of liabilities were not submitted for audit.</p>	<p>-Do-</p>	<p>The relevant credit documents must be submitted to verify the credit balance.</p>
<p>(d) The balance of obligations and liabilities presented by Ratmalana Chief Mechanical Engineering Office was Rs.153,606,002, but</p>	<p>-Do-</p>	<p>The correct credit balance value should be included in the financial</p>

the balance included in the Treasury SA 92 statement as liabilities of that office was Rs.94,786,684. Thus, balances worth Rs. 58,819,318 were not included in the financial statements as of 31st December 2021.

statements.

- (e) Finance Regulation 94 (1) means (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.193,276,303 had been reached in excess of provisions in relation to 03 expenditure subjects.

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Should be dealt with in terms of Financial Regulation 94 (1).

2.3 Utilization of provisions provided by other Ministries and Departments.

Audit Observation

Comments of the Accounting Officer

Recommendation

The Ministry of Tourism (heading 159) has given Rs. 12,395,900 for the modernized Bandarawela railway station for the year 2021, 48 percent of the provision or Rs. 5,490,802 had only been utilized.

These provisions have been left due to the inability to carry out the relevant procurement activities on time due to the prevailing Covid-19 pandemic situation.

The allocations given by other ministries and departments should be used for related projects and railway stations should be modernized.

2.4 Issuance and Settlement of Advances.

Audit Observation	Comments of the Accounting Officer	Recommendation
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According to paragraphs 08-11(c) of the State Finance Circular No. 01/2020 dated 28th August 2020, after issuing an interim advance, the said interim advance should be repaid within 10 days after the completion of the work, regarding an imprest of Rs. 1,899,000 was not done so.	All department heads have been informed that as per the instructions of circulars, the interim advances should be settled within 10 days, and accordingly, the officials who delay the settlement of the advances will not be issued again.	As per the circular provisions, the interim imprest must be settled within the prescribed period.

2.5 Operating Bank Accounts

Following are the deficiencies revealed during the sample audit examination conducted in relation to the operating of bank accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) In relation to account number 176-1-001-290727-313 Although 06 cheques amounting to Rs. 197,918 were dishonored, they were not dealt with according to the 189 Financial Regulations.	Regarding 06 dishonored cheques have been informed to the relevant institutions and will be settled after receiving the information.	Actions should be taken as per the Financial Regulations.
(b) Relevant to the account number 176-1-001-2-9027313, the value of 19 unidentified direct deposits related to November and December 2021 was Rs. 508,324 and they had not been identified and settled	That 19 deposits amounting to Rs.508,324 have not been recognized and accounted for.	Direct deposits should be identified and settled.

2.6 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions of Laws, Rules and Regulations observed during the audit test checks are analyzed below.

Reference to laws, rules and regulations -----	Observation ----- Non-compliance -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Establishment Code of the Democratic Socialist Republic of Sri Lanka			
(i) Paragraph 3.2 of Chapter VIII	Although overtime was payable only for work outside normal office hours that could not be performed during regular office hours, overtime was also paid for normal duty hours.	Not Replied.	Action should be taken according to the provisions of the establishment code
(ii) Paragraph 3.6 of Chapter VIII	Overtime should not have been sanctioned for covering the duty of an officer merely because a post was vacant, but overtime was sanctioned for covering the vacancies in the Disciplinary Division and the Legal Division.	Not Replied.	Overtime should be arranged as per the provisions of the Establishment Code

**(b) Public
finance Circulars**

Paragraph 12 of Public Finance Circular No. 02/2015 dated 10 July 2015

(i) Although letters dated 03rd March 2020 and 13th August 2020 had been informed to the General Manager Procurement for auctioning 20 vehicles owned by the department and 33 vehicle parts that have been seized as scrap, the disposal process should be completed within three months from the date of issue of the circular, but the work has not been done so far.

For this, a technical evaluation committee has been appointed on 18.05.2022. Accordingly, further work is being done.

Should be dealt with the provision of the circular.

(ii) Starting from the year 2015, the vehicle disposal process should be carried out once every year and the information about it should be submitted to the Director General of Public Finance, Director General of Treasury Operations, Director General of National Budget and Auditor General according to the relevant forms before June 30 of the relevant year, but this had not been done.

Not Replied.

Should be dealt with the provision of the circular

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| <p>(c) Paragraph 02 of the Ministry of Transport and Civil Aviation Secretary's Letter No. MT/02/02/01/01/12 dated 26th February 2018 amending Institutional Administrative Procedures on Railway Reserves .</p> | <p>(i) Tax files should have been updated but not done so.</p> <p>(ii) 21 cases were observed where reports were not obtained even though a report should be obtained from the assessment department every 05 years.</p> | <p>Not Replied.</p> | <p>The Secretary of the Ministry of Transport and Civil Aviation relating to reservation should proceed as per the paragraphs of the institutional Administrative Procedures Amendment Letter.</p> |
| <p>(d) Paragraphs a, b, c of Asset Management Circular No. 01/2018 dated 19 March 2018</p> | <p>All the vehicles which are in an unable-to-drive condition should be scrapped before 30th June 2018 and the proceeds of that scrap be credited to the Consolidated Fund and after completing the scrapping process, the relevant updated information should be submitted to the Comptroller General's office on or before 30th July 2018, but this has not been done.</p> | <p>Not Replied.</p> | <p>Action should be taken as per the relevant paragraphs of the Asset Management Circular.</p> |

2.7 Informal Transactions.

The following observations are made.

Audit Observation	Comment of the accounting officer	Recommendation
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(a) (i) By 5.4.4 of the Procurement Guidelines, while paying the Mobilization Advance from the contract amount, deduct the amount set aside for the Pro Sum and contingencies from mobilization advance and should be calculated, by voucher number 319/03/2021 and dated 17th March 2021, Rs. 4,332,023, which is 20 percent of the total contract amount, was paid as mob advance. Thus, the aggregating amount of Rs.570,548 as Rs. 528,285 Mob Advance and Rs. 42,263 as VAT amount had been overpaid to the contractor for the construction of the Alavwa railway platform.	That, if any overpayment has occurred, it will be recovered through the bills submitted and arrangements will be made to pay attention to the matters mentioned in preparing the terms of future procurement.	Action should be taken in accordance with the provision of the procurement guideline.
(ii) According to the terms of the letter of acceptance, the contract should be completed within 180 days after accepting the tender, but as of the date of audit, 18th January 2022, 375 days have passed since the contract was signed, but the contract for the construction of the Alavwa station yard has not been completed.	That this time has passed due to the closure of the country due to the situation of the Covid pandemic and the restriction of calling the staff since March 2020	Action should be taken in terms of the letter of acceptance.

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| <p>(b) Due to an emergency inspection conducted at the Batticaloa Locomotive Forman Gurage, the supervising manager who was working there was suspended and transferred to Colombo from 01st June 2009, until 04th May 2022, when this report is prepared It was observed that according to Section 14 of Chapter XLVIII of Group II of the establishment Code of the Democratic Socialist Republic of Sri Lanka a charge sheet has not been formally issued, and the following additional expenses had to be borne by the department due to this incident.</p> | <p>Not Replied.</p> | <p>Action should be made without delay according to the articles of the related establishment code for the suspension.</p> |
| <p>(i) Three retired shed supervisors were attached to cover the duties of this vacant post and even though the provincial boundaries were restored and train operations were restricted in the years 2019, 2020, and 2021, a sum of Rs. 8,695,950 had been paid for them as traveling expenses, Bata and overtime from the year 2019 to 2021.</p> | <p>Not Replied.</p> | <p>Steps should be taken to recruit for vacant posts.</p> |
| <p>(ii) In the year 2021, while the service hours of other railway stations on the island were limited from 8.30 am to 4.15 pm, when only the Batticaloa oil train ran in the afternoon, the officers who were previously employed at the Batticaloa shed had been worked from 3.30 am to 9.30 pm, a retired supervisory manager who attached, was paid an amount of Rs.545,548 in addition to overtime in the year 2021 only for duties from 00.00 hours to 24.00 hours.</p> | <p>Not Replied.</p> | <p>Overtime payments should be made under the proper supervision of a superior officer.</p> |

(c) During the sample check made on overtime payment vouchers, some officers working overtime had earned overtime by working continuously for 02, 03, and 04 days. It was observed that it was an unusual situation to be employed continuously for days without the supervision of a higher officer and the officers approving overtime did not pay attention to it.

Not Replied.

Overtime payments should be made under the proper supervision of a superior officer.

3. Operating review.

3.1 Performance

3.1.1 Purchase of Railway Coaches.

The audit observations revealed in this regard are given below.

Audit Observation	Comment of the accounting officer	Recommendation
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(a) Although 160 railway carriages were purchased at US\$ 82.6 million (Rs. 11,564 million) under the Indian credit line, the expected project objectives could not be achieved.	Those, M 11 engines can be used to reduce passenger traffic and add more carriages to the run and transport more passengers in the morning and evening.	Expected project objectives should be met.
(b) According to the prepared engineering estimate, the cost of importing one carriage was 0.3 million US dollars, but when port charges, customs charges, insurance charges, transportation charges were added, the actual cost was 0.558 million US dollars.	That, the purchase has been made through the procurement process as per the estimate given by the Chief Mechanical Engineer.	The engineering estimate shall include all costs related to supply of goods.

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| (c) | Out of the 160 coaches, only 10 coaches were accepted and accordingly the other 150 coaches were recommended to be received without inspection, it was observed that there were deviations from the technical specifications as follows. | After running the first 10 carriages, the remaining 150 carriages will also be brought in after the identified modifications and changes are determined as per the agreement of both parties. The relevant supplies shall conform to the technical specifications. | The relevant supplies shall be compliance to the technical specifications. |
| (i) | The length, width and height of the railway carriages were increased beyond the standard. | According to the conceptual drawings it had been prepared and that, a loss has not been incurred by the Railway Department. | -do- |
| (ii) | Although the speed to be maintained is 120 kmh-1, the minimum radius of curves is 150 meters according to the specification; the radius of the existing curves in yards is 90 meters. It was observed that other trains had also been affected by imposing speed limits to prevent this. | It is pointed out that it is not a fault of the carriages as the application of permanent speed limits at curved points in the road is unavoidable. Also, to reduce the delays caused by the speed limit, the road should be modernized and curves should be reduced. | -do- |
| (iii) | There was a reduction of 234 seats as 82 seats in third class, 82 seats in second class and 70 seats in air-conditioned cabins more over than the specification. | That the compartments are prepared according to the correct measurements as shown in the approved conceptual drawing and that no loss has been caused to the department. | -do- |
| (iv) | This train was 400 mm or 16 inches higher than the standard height from the rail head to the platform. | It has been stated that taking the stairs inward weakens the underframe of the cabin, reducing its bearing capacity, and does not directly affect the safety of the passengers. | -do- |

<p>(v) Shortcomings in Auto coupler</p> <ul style="list-style-type: none"> • Disengagement of Lock Lifter during operation and non-opening of automatic attachment knuckle • Lock weight section is more space than the standard Auto Head internal. • A 2mm play over the hole connecting the auto attachment knuckle. • Presence of unwanted space of 5mm by 8mm after closure of auto coupler. • Enlargement of the upper part of the lock lifter. • There is more than 10 mm space between the Auto coupler head and the end of the Auto coupler shank. 	<p>The manufacturer reserves the right to the design of the Auto coupler and that, recommendations are made subject to the condition of correcting these defects while issuing the Acceptance Certificate for the identified defect compartments.</p>	<p>-do-</p>
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3.1.2 Train Itinerary Plan

Audit Observation

**Comment of the
accounting officer**

Recommendation

The Railway Department had planned to cover 84224 train itineraries in the year 2021, but only 69036 itineraries were covered in that year. Thus, 15188 train Itineraries were canceled and this was an 18 percent as a percentage.

Not Replied.

Expected goals should be achieved.

3.1.3 Construction of a double railway line between Kandy – Gatambe

Audit Observation	Comment of the accounting officer	Recommendation
<p>For the construction of a double railway line between Kandy - Gatambe Rs. 47,618,821 had been contracted with a private company and its construction work was to be completed before 30th July 2018 (extension of the deadline), but so far it has not been possible to complete the project. Furthermore, the contractor had withdrawn from the construction works of a section with a total length of 190 meters from 1/720 to 1/830 and 1/900 to 1/980, and although the department had agreed to repair that section, it had also not been completed until now. Here the following deficiencies were observed.</p>	Not Replied.	As per the contract for the construction, the work should be completed within the stipulated time.
<p>(a) The road which had been prepared with gravel stones (Ballast) had been destroyed due to various activities and the required provision for Sleepers, Rails and other materials required for the amount proposed to be constructed was not allocated in the 2022 budget.</p>	Not Replied.	Required Provisions for the construction should be allocated.
<p>(b) According to the standard, the ABC layer should be 10", but during the physical inspection, it was out of standard as 9.5", 7.25", 9.6" etc. and in the application of ballast it was out of standard as 6.75", 6", 7.5" etc. instead of 8".</p>	Not Replied.	Should not deviate from the relevant standard.
<p>(c) Although a court order had been given to evict 116 squatters who had settled in the railway reserve for the construction of this dual carriageway, 95 houses had failed to be removed.</p>	Not Replied.	The administration should take steps to remove the illegal residents.
<p>(d) Although 44 residents of Lot No. 01 to 28 and Lot No. 73 to 88 were given alternative land from the Pallakele area of Kandy, 17 residents belonging to the Wellassa Gramsevaka</p>	Not Replied.	The administration should take steps to remove the residents.

Division were still settled in the Railway Reserve.

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| (e) | It was observed that 35 residents who received evacuation orders are staying there without leaving. | Not Replied. | The administration should take steps to remove the residents. |
| (f) | While the work of the first phase of the dual way was not completed, the second phase of the way system from Gatambe to Sarasavi Uyana was given as a start-up allowance of Rs. 567,239,296 had been paid to the contractor. | Not Replied. | Arrangements should be made to recover from the relevant parties. |

3.1.4 Losses due to rail strike

Audit Observation	Comment of the accounting officer	Recommendation
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Due to the decision not to issue train tickets to passengers as per the professional measures implemented from 24 th December 2021 based on several demands of the station masters of the department, Rs. 4,876,388 each for 05 days to the government Rs. 24,381,943 in lost revenue.	Not Replied.	Should be made to recover from trade unions.

3.1.5 Lease of Railway Reserve Lands

Audit Observation	Comment of the accounting officer	Recommendation
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Under No. L-4731 (LC-32933) which, was legally leased to another person, railway reserve land near the railway station in Gampola and another part of 02 acres, 02 roods, and 35.3 perches added and leased to the Rural Development Authority for the Gampola central town development project. The following observations are made in this regard.	Not Replied.	

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| <p>(a) According to the approval of the Cabinet No. 16/1370/724/054, before entering into a tripartite memorandum of understanding in accordance with proposal III of the said Cabinet Memorandum, the clearance of the Attorney General was to be obtained, but such approval was not obtained.</p> | <p>Not Replied.</p> | <p>According to the Cabinet Memorandum, the relevant approval should be obtained.</p> |
| <p>(b) The Minister of Transport and Civil Aviation had recommended that this land should be handed over to the Urban Development Authority subject to a tax determined on the basis of the valuation of the Chief Assessor. But it had not been acted upon.</p> | <p>Not Replied.</p> | <p>Taxes should be recovered on the assessment of the Principal Assessor.</p> |
| <p>(c) The foundation stone for the Gampola central town development project was laid on 10th September 2016, and according to the 12th condition of the signed memorandum of understanding, it was stated that this agreement will be valid until 20th February 2019. Accordingly, the construction has not been started till now and due to the non-fulfillment of the objectives, the possession of the land owned by this department has not been taken back.</p> | <p>Not Replied.</p> | <p>Arrangements should be made to take back the possession of the land.</p> |
| <p>(d) In 2015, the department had paid money to a private company to computerize the files maintained in connection with the lease of railway reserves and prepare a software to make the system of tax collection more efficient, but the department had failed to succeed in that task until now.</p> | <p>Not Replied.</p> | <p>The software system should be installed promptly.</p> |

3.2 Annual Performance Report.

Audit Observation	Comment of the accounting officer	Recommendation
According to paragraph 10.2 of the State Finance Circular No. 02/2020 dated 28 th August 2020 and 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.	Not Replied.	The report should be prepared and submitted in due time as per circular provisions.

3.3 Foreign Aid Projects.

The following observations are made.

(a) Rehabilitation of railway lines from Mahava - Anuradhapura - Omanthe.

Audit Observation	Comment of the accounting officer	Recommendation
(i) As per the agreement reached with Ircon International Limited for the rehabilitation of the Mahava-Anuradhapura-Omanthe railway line subject to the terms of the loan agreement with the Exim Bank of India, the contract was awarded subject to a discount of 19.26 percent and the opportunity was not given to other bidders to negotiate concessions.	Not Replied.	Should be followed the guideline of the code of procurement guideline.

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| <p>(ii) Although the signal system should be installed simultaneously with the rehabilitation of the road, a work plan and cost estimate for the installation of the signal system had not been prepared. And it was not observed that a final decision had been reached so far as to whether the work would be done by the contractor or by the department's signal division.</p> | <p>Not Replied.</p> | <p>The work required to install the signal system should be done concurrently with the road rehabilitation.</p> |
| <p>(iii) It was observed that 78 railway level crossings were identified in the relevant section of the road, of which 09 are currently fully protected gates with barriers, 01 are bell and light, two raised gates and the rest are gates controlled by people. After the construction of the road, the department had not taken steps to establish a permanent road safety program for these gates.</p> | <p>Not Replied.</p> | <p>Once the road is constructed, permanent road safety arrangements should be made for the gates.</p> |
| <p>(iv) As of 30th September 2021, the amount released by the Export-Import Bank of India was 59,117,272 US dollars out of 91,268,600 US dollars contracted according to the contract agreement and its rupee value is Rs. 10,957,502,276. The amount of IPC paid was US\$ 33,327,517. But the amount released to the contractor is US\$ 33,219,975. Thus, between the interim payment reports and the release of money by the Exim Bank of India, 107,542 American dollars which is a difference of Rs. 46,306,424 was observed.</p> | <p>Not Replied.</p> | <p>The reasons for the change should be investigated and resolved</p> |
| <p>(v) In the year 2021, the allocation allocated for the Mahawa-Omantha project is 3,500 million Sri Lankan rupees, of which the amount that had been utilized from that allocation as of 28th September 2021 was Rs. 3,260 million. The amount of US\$ 6,474,926 due for Additional Payment Certificates</p> | <p>Not Replied.</p> | <p>Adequate provision should be allocated for the project activities.</p> |

(IPC) 08 and 09 for expenses from 01 October 2021 to 31st December 2021 has not been paid.

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| <p>(vi) Although the project office had prepared timelines and progress notes for the works to be completed in the years 2022 and 2023, the project office had not prepared a plan for the implementation of the work of Part III and Part IV according to the contract agreement and had not submitted it to the contractor.</p> | <p>Not Replied.</p> | <p>As per the contract agreement, the project office has to prepare a plan for the implementation of the work in Part III and Part IV.</p> |
| <p>(vii) There was a contract with the Central Engineering Consultancy Bureau (Central Engineering Consultancy Bureau) for 464,693,900 rupees for the consultancy work of the project and a 20 percent advance payment was to be made to CECB. But the amount paid was Rs. 60,246,504.</p> | <p>Not Replied.</p> | <p>According to the agreement, 20 percent advance money is to be paid to CECB.</p> |
| <p>(viii) As on 31st December 2020, the expected financial progress of the project was 39 percent and the physical progress was 38.5 percent. But it was observed that the financial progress achieved was 23 percent and the physical progress was 27 percent. It was pointed out that the reasons for this were not enough budget allocations and money allocations from the treasury. It was observed that there is no such situation regarding the estimated provision and the actual expenditure.</p> | <p>Not Replied.</p> | <p>The project should achieve the expected financial and physical progress.</p> |

(b) Colombo Suburban Rail Projects

Feasibility Study

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| <p>The feasibility study report and detailed plans including the expected goals to be achieved within the 20-year period under the Colombo Suburban Railway Project were completed in March 2021 and given to the Sri Lanka</p> | <p>Not Replied.</p> | <p>Feasibility study should be implemented to achieve desired results.</p> |
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Railways Department through the relevant 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 15th March 2022 and 15th September 2022. Therefore, it was observed in the audit that there is no benefit to the economy by remaining idle without implementing the feasibility study.

(c) The Master Plan prepared for the Railway Department at a cost of 1.5 million American dollars under the heads of the Asian Development Bank (Agreement No. TA 9382 – SRI OF 29-10-2017) had not been implemented.	Not Replied.	Actions should be taken to achieve the desired results by implementing the master plan.
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3.4 Procurement.

Audit Observation

Comment of the Accounting Officer

Recommendation

In the purchase of spare parts for M6 class locos, the supplier should be notified within 45 days of receiving the goods at the port regarding shortage or damage, but the department has informed the supplier that the goods have been sent less than after 03 years, so Rs. 12,247,936, the supplier had refused to supply the outstanding goods or refund the value, and the Rs. 14,537,444 had become an idle expense.

I accept that the audited facts are correct as per the audit inquiry. Because there has been a delay in providing the relevant documents to the port department for the clearance of goods, there has also been a delay in finding and clearing the goods from the port.

According to the supply condition of the supplier, the loss caused due to non-notification of less supply of goods within the relevant period should be recovered from the responsible officials.

3.5 Asset Management.

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>(a) <u>Annual board of Survey.</u></p> <p>The board of Survey reports for the year 2021 was to be submitted before 31st March 2022, but reports related to 582 stations under 16 sub-departments have not been submitted.</p>	<p>Not Replied.</p>	<p>Circular instructions should be followed.</p>
<p>(b) <u>Underutilized Assets.</u></p> <p>According to the list of vehicles presented by the traffic department, 03 vehicles in running condition and 03 vehicles not in running condition were parked in the Factory no 18 for a long time.</p>	<p>Not Replied.</p>	<p>The vehicle should be repaired or scrapped.</p>
<p>(c) <u>Lease of Land.</u></p> <p>In railway land leasing, not entering into formal agreements, unauthorized use, unauthorized construction, interim leases, breach of contract conditions, non-payment of revenue properly, and problems of their ownership were observed.</p>	<p>Not Replied.</p>	<p>Agreements should be duly entered into and the administration should take action to take back possession in case of unauthorized construction, breach of contract conditions, and unauthorized use.</p>
<p>(d) <u>Idle Assets.</u></p> <p>(i) On 10th April 2019, the department received Rs. 16,781,002 worth of spare parts for S – 8 Class Locos that remained unused in the stores till 31st December 2021.</p>	<p>As on 24.12.2021, the first four items have been used in the order mentioned in the indent, and part of the items No. 05,06,08</p>	<p>Stocks should be used actively.</p>

have also been used. The item bearing number 11 is unfit for use and has been reported to the Superintendent of Railway Stores for appropriate action.

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| (ii) According to the list of 314 vehicles submitted to the audit, 53 vehicles belonging to the department remained idle without being used in running | Not Replied. | It is necessary to repair or dispose of vehicles that are idle and not in use. |
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3.6 Losses and Damages

The following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) 04 cases of loss and damage amounting to Rs.2,991,578 belonging to the Sub-Department of District Engineer (Central) more than 25 years old have not been recovered or written off, out of which the date of occurrence of 02 cases worth Rs.2,906,640 has not been mentioned.	In cases where the date of occurrence of the loss cannot be stated with certainty, the date is not mentioned as the date cannot be entered in the loss register when the date is not mentioned in the opening report.	The treasury should be informed about such losses and should be cut off.
(b) In 04 sub-departments namely District Engineer (Upper), Transport Superintendent Office (Colombo), Chief Mechanical Engineer, and District Engineer (North) Office, 223 cases of unassessed damages were not assessed, and out of those cases, 172 cases were more than 30 years old.	The heads of the sub-departments have been asked to deal with the losses that have been delayed for more than 05 years but have not been completed yet and to submit an action plan on how to complete these losses.	The amount of old damages should be assessed and recovered.

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| <p>(c) The losses of Rs. 5,347,697 related to 07 incidents caused by terrorist acts that are more than 30 years old were shown in the final accounts for a long time without taking any steps to writing them off from the books.</p> | <p>The District Engineer (North) has been informed to submit F.R.109 reports to cut these losses. F.R.109 reports of the received losses have been submitted to the Director General of Finance for approval</p> | <p>The treasury should be informed about such damages and appropriate action should be taken.</p> |
| <p>(d) Even though more than 30 years have passed, 35 damage and loss cases related to the Chief Railway Accountant's Office, Commercial Superintendent's Office, Railway Depot Superintendent's Office, Chief Mechanical Engineer, Transport Superintendent (Colombo), and derailments have been settled. Rs. 91,231,001 had not been settled for damages.</p> | <p>The Heads of Sub-Departments have been told to deal with the damages which have been delayed for more than 05 years but have not been settled till now.</p> | <p>Financial Regulations should be followed.</p> |

3.7 Uneconomic Transactions.

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>(a) <u>Payment for Unsupplied Goods.</u></p> <p>(i) Payments for warehouse supplies shall be made after certification by the officer certifying payment that the goods are of proper quality and in correct quantities, but for goods not supplied Rs. 90,940,453 had been paid.</p>	<p>The full amount must be paid to the supplier as per the terms of opening the letter of credit. However, upon detection of non-supplied goods, the relevant suppliers will be notified and arrangements will be made to bring them back or to reimburse the amount.</p>	<p>Action should be taken against the responsible officials.</p>

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| <p>(ii) At the end of the year under review, the value of outstanding letters of credit was Rs. 616,141,592 out of which 19 percent was Rs. 116,958,556 were old balances between 02 and 23 years. The reasons why these balances, which have been paid for more than 02 years, were not submitted to the audit, and it was controversial in the audit whether these payments of more than 116 million were paid to suppliers for goods that had not been supplied.</p> | <p>The value of outstanding letters of credit in the years 1998-2009 was Rs. 35,715,002.00 and due to very old balances, this information will be presented correctly in the future after identification and the unsettled value from 2010-2020 as of February 2022 is Rs. 144,516,621.09 and that in the future the goods receipt slips will be obtained promptly and the rest of the money will also be included in the stock.</p> | <p>Steps should be taken to settle these letters of credit.</p> |
| <p>(b) Due to the non-performance of clearance activities during the importation of goods, a large sum of money had to be paid annually in the form of late charges and interest and the amount so paid was Rs.20,891,472 during the year under review. The value of late charges and interest paid in the year under review and in the previous 03 years in relation to the stores advance account was Rs.73,921,280.</p> | <p>Due to late receipt of funds received by the shipping corporation, payment of late fees to the shipping corporation is inevitable as the goods are cleared according to the amount of money received from the treasury and the amount of interest charged by the bank on the delay in submission of documents for the payment of imported goods. that</p> | <p>Adequate measures should be taken to minimize late charges and interest on import of goods.</p> |

3.8 Failure to Answer the Audit Inquiries.

Audit Observation	Comment of the Accounting Officer	Recommendation
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35 audit queries issued since 27th August 2020 to audit the transactions of the year 2021 have not been answered so far.	Not Replied.	The provisions of Section 38 of the National Audit Act No. 19 of 2018 should be followed.

3.9 Management Weaknesses.

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) It was observed that the monthly reports on fuel quantities for the stations were given with a long delay and the storage sub-department had not updated enough information related to receiving those reports. Also, the original copies of the invoices required for the processing of GRNs were not obtained from the Petroleum Statutory Corporation properly, while the processing of GRNs by the SRS warehouse and the delivery of the GRNs to the accountant (supplies/payments) was also delayed for a long time.	Actions are being taken to mitigate the weaknesses mentioned.	Relevant reports should be obtained properly and GRN should be processed without delay.

- (b) After ensuring that the quantities of diesel issued by the Petroleum Statutory Corporation each month have been correctly received by the Railway Department, the Railway Department shall submit the reports from the railway shed that diesel has been received and all the diesel stocks issued before receiving the GRN from the Petroleum Statutory Corporation, an Rs. 13,506,715 was paid for 131,850 liters of diesel which was not confirmed to have been received by the railway department on payment of the same amount mentioned in the monthly sales report.
- If the payment is delayed due to the non-delivery of the GRN to the accounting department on time, it has been verbally informed that the fuel supply will be suspended due to the increase in the outstanding balance of the amount to be paid to the Ceylon Petroleum Corporation, so the sales reports will have to be considered and submitted for payment recommendations until the GRN is received. However, the audited diesel 52740 liters related to the value of Two bills amounting to Rs. 5,402,686.00 have been deducted from the February 2020 sales reports. Another 52740 liters of diesel relating to two bills of Rs.5,402,686.00 Ceylon Petroleum Corporation has informed that have been diverted. In addition, it has been informed that a bill of Rs 2,701,343.00 related to 26370 liters of diesel was offset by Transfer Sheet - 06-2020 of the Treasury Department.
- The payment should be made after confirming through GRN that the relevant diesel has been stocked.
- (c) BGT has received less than the invoiced amount of fuel during the procurement of fuel for the shed, regardless of that, due to the institution's method of issuing receipts and making payments for the invoice amount, for 10,284 liters of fuel not received in the year 2021 with 05 shed amounting
- Actions are being taken to mitigate the weaknesses mentioned. Necessary arrangements are being made to offset the amount of Rs.1,068,465.00 paid to Ceylon Petroleum Corporation from future supplies.
- Payment should be made only for the amount of fuel received at the stations.

Rs. 1,068,465 was overpaid to the Petroleum Corporation.

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| (d) | Differences between 450 liters and 12568 liters were observed between the balance and monthly receipts and releases according to the existing diesel stock documents related to 04 stations and the responsible parties failed to give reasons for these differences. | Not replied. | Specific reasons related to changes should be identified and corrected. |
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4. Human Resource Management.

----- Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) According to the staff data submitted for audit by the Department, the total number of approved staff vacancies as on 31st December of the year under review was 9,310. It is 45 percent of the sanctioned number of employees. The department had recruited 359 staff on a casual and contract basis without filling the vacancies.	That work is already being done to expedite the filling of vacancies in the existing posts in this department. At present, to reduce the existing vacancies in the posts, with the approval of the Secretary of the Public Service Commission, 92 posts have been recruited for essential posts on a contract basis. I am further informed that currently 84 development officers have been assigned to this department for the vacancies belonging to the joint service. Also, internal promotions for other positions are currently being done, and as a step to speed up those tasks, the powers to give relevant promotions have been decentralized to the sub-department heads.	Staff vacancies should be filled as soon as possible.
(b) 145 officers who had retired from the service of the Department (excluding the posts of Train Driver, Controller, Supervisory Manager, and Railway Security Officers) were re-employed on a contract basis without filling up the staff vacancies in the Department.	Approval for external recruitment has been sought from the Ministry of Finance to fill up the posts in the technology category and arrangements are being made for limited recruitment.	Steps should be taken to recruit new people for the vacant posts.

- (c) 17 consultant posts have been approved for the Sri Lanka German Railway Technical Training Center but no recruitment has been done for those posts.
- As only 10 people have qualified for 17 consultant posts in the Sri Lanka German Railway Technical Training Center, interviews have been completed for them. There are no qualified candidates to fill the remaining 07 vacancies.
- There has been a delay in filling up the vacancies as all recruitments have been stopped as per government policy. I would like to inform you that the approval of the Ministry of Finance has been requested for the recruitment for the posts in the Technology Services category.
- Arrangements should be made for immediate recruitment for the posts of advisers.