

## **Head 306 - Department of Sri Lanka Railways**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

Head 306 - The audit of the financial statements of the Department of Sri Lanka Railways for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, and cash flow statement for the year then ended including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Department of Sri Lanka Railways was issued to the Accounting Officer on 31 May 2024 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 31 May 2024 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the Department of Sri Lanka Railways as at 31 December 2023 and 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 appear 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 the Chief Accounting Officer and Accounting Officer on Financial Statements**

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Accounting Officer.

As per 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.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibility on Audit of Financial Statements**

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised 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 its internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The Chief Accounting Officer is made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

## 1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are consistent with those of the preceding year.
- (b) The following recommendations made by me regarding the financial statements of the preceding year had not been implemented.

<b>Reference to Paragraphs of the report relating to the preceding year</b>	<b>Recommendation which was not implemented</b>	<b>Reference Paragraph of this Report</b>
1.6.1 (a) (ii)	Even though it had been revealed on the basis of reporting that the amount of Rs 740,148,051 charged in the year 2022 out of Rs 1,000,515,781 which should be recorded as receivable in relation to the impersonal account of the General Manager of Railways which existed before 31 December 2015, the value of the remaining receivables of Rs 260,367,030 had not been disclosed in the statement of financial position.	1.6.1 (e)
1.6.1 (d) (i)	According to the statement of financial performance for the year 2022, the value as per the capital expenditure object related to acquisition of assets was Rs 15,285,208,816 and according to the account and Treasury printout SA 82, the value of purchase was Rs 2,403,765,858. Accordingly, the difference had been Rs 12,881,442,958.	1.6.1 (d) (i)
1.6.1 (e) (iii)	Although the balance as per the departmental books of the stores advance account should be equal to the balance according to the Treasury computer printout, due to not being so, a sum of Rs.403,366,221 was noted as overstatement and was deducted from the balance as per the departmental books and equalized to the balance according to the Treasury Printout.	1.6.1 (c) (i)
1.6.1 (e) (iv)	Due to failure to adjust the cost incurred as customs charges in the importation of goods from the year 1993 to the year 2022 the value of stock had been understated by Rs.78,197,076.	1.6.6 (c) (ii)
1.6.1 (f) (i)	According to the departmental books, the opening balance of the control account of advances to public officers was Rs. 1,118,983,421 at the beginning of the year 2022 and thus it was Rs. 1,123,161,226 according to the Treasury printouts, there was a difference of Rs 4,177,805 between departmental books and Treasury books. Even though 19 years had elapsed since 2004, actions had not been taken to settle this balance.	1.6.1 (b) (i)

## 1.6 Comments on Financial Statements

### 1.6.1 Accounting Deficiencies

#### (a) Reconciliation Statement of Advances to Public Officers Account

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Actions had not been taken to recover the balance of Rs.17,828,124 receivable from the suspended officers of 15 Sub-departments. Out of which, 61 per cent of the debt balance of Rs.10,918,457 had exceeded more than 05 years and 35 per cent of those debt balances belonged to the Chief Engineer (Running) Sub-department.	It is informed that arrangements will be made to recover arrears of debts in the future.	Actions should be taken to recover old debt balances.
(ii) Due to non-compliance with Chapter XXIV Paragraph 04 of the Establishments Code of the Democratic Socialist Republic of Sri Lanka actions had not been taken to recover the loan balances of Rs. 52,296,852 for less than one year, between 01 and 10 years, between 10 and 20 years and more than 20 years of retired and deceased officers.	A part of the arrears of debt balance has been recovered and it is informed that the remaining amount will also be recovered in the future.	Actions should be taken to recover old debt balances as per regulations.

**(b) Stores Advance Account**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p><b>(i)</b> Although the balance as per departmental books and the balance as per Treasury computer printouts should be equal to each, due to not happen so, a sum of Rs.403,366,221 had been deducted from the balance of departmental books as overvaluation and equalized with the balance according to Treasury printed notes.</p>	<p>Because these balances remaining from a long period of time, I acknowledge that there is a delay in settlement due to difficulty in accessing correct source information. Here, there is no decrease in the balance due to the Treasury and only the correction of the book balance of the Department has been done according to the balance shown by the Treasury. After the year 2014, there is no change in the debits and credits of the Treasury computer printouts and stores advance account up to now and I am informed that this will be looked into and corrected.</p>	<p>The Treasury computer printouts and departmental books should be prepared accurately as per the regulations and the differences should be checked and corrected.</p>
<p><b>(ii)</b> Due to failure to adjust the cost incurred as customs fees in the import of goods from the year 1993 to the year 2023, the stock value had been understated by Rs.93,918,027.</p>	<p>I would like to kindly inform that although the inclusion in the stock is delayed due to the failure of issuing of the Goods Received Notes, actions will be taken to get the Goods Received Notes promptly and these balances will be included in the stock in the future.</p>	<p>Actions should be taken to receive the Goods Received Notes promptly and adjust the customs duty value to the stock. Only relevant payments should be entered as debits during the year.</p>
<p><b>(iii)</b> Due to an expenditure of Rs. 142,579,946 to be spent under the expenditure object of rehabilitation of existing railways with new rails and sleepers had been shown as other debits under debits of the year in stores advance account, the debits of the year in the stores advance account had been overstated by Rs.142,579,946.</p>	<p>Notes have been made to correct in the year 2024. Even if the balance is included in the debit limit in the year 2023, it is informed that it has been arranged to stay within the limit.</p>	<p>Only the relevant payments should be entered as debits during the year.</p>

**(c) Property Plant and Equipment**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p><b>(i)</b> A sum of Rs.5,320,929,724 had been incurred by he capital expenditure objects to acquire capital assets as per the statement of financial performance of the year 2023 and thus the value of purchases during the year according to Treasury printout SA 82 was Rs.4,766,177,713, the difference was Rs.554,752,011.</p>	<p>This is an expenditure object included in the statement of financial performance. It has been entered in the purchase of assets in the statement of non-financial assets according to the way of accounting for of purchases as per the asset module of the CIGAS Programme from the year 2021. This difference has occurred due to the error in updating the module at the end of the year due to inconveniences and difficulties existed. Actions have been taken to update and present the Assets module accurately in 2024.</p>	<p>Asset purchases should be accurately reported to the Treasury.</p>
<p><b>(ii)</b> There was a difference of Rs.64,628,506 in comparing the opening balance of the year under review with the Treasury Print SA 82 of Non-Financial Assets as at 28 March 2024 and closing balance of the preceding year.</p>	<p>The difference of Rs.64,628,506 indicated in the opening balance has been recognized and actions have been taken to correct by the end of this year.</p>	<p>If there is any difference when comparing the balance of the year under review with the closing balance of the previous year, they should be disclosed in the financial statements.</p>

**(d) Imprest Balance**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>The impersonal account of the General Manager of Railways, which existed before 31 December 2015 instead of the imprest account, had been closed by providing an imprest account from 01 January 2016 and actions had been taken to settle Rs. 740,148,051 from the balance of Rs. 1,000,515,781 as at 01 January 2022. Accordingly, it was revealed under the reporting basis in the financial statements of preceding year that the remaining balance of Rs. 260,367,030 as at 31 December 2022 will be settled in the year 2023. Actions had not been taken to settle in the year under review and although this value was shown as a negative balance under code No. 8003-0-0-0-0-0 under Treasury Form SA 90, no disclosure whatsoever had been done on this in the financial statements of the year under review as well as in the preceding years.</p>	<p>A note has been made to arrange for disclosure as a separate note in the financial statement. Documentary activities are also being done to receive collections from warrants receivable to the Department from various institutions furthermore.</p>	<p>Necessary disclosures should be made in the financial statements.</p>

**(e) Net Assets**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>As a balance of record containing the contents of the statement of financial position had not been submitted for audit to verify the net asset value shown in the statement of financial position, that value could not be verified.</p>	<p>It is informed that actions will be taken to be furnished in the future.</p>	<p>Written corroborating evidences should be furnished to audit to confirm.</p>

**(f) Failure to Maintain Records and Books**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<b><u>Registers of Liabilities</u></b>		
The Registers of Liabilities were not submitted to audit to confirm the liability balance of Rs. 634,774,174 included in the financial statements of the year 2023 and the information for identification of the relevant sub-department to which those liabilities belong had also not been submitted to the audit.	The Registers of Liabilities are being maintained in each Sub-department and actions will be taken to inform the relevant departments to submit them for audit.	The Register of Liabilities should be updated so that the liabilities can be checked regularly in terms of Financial Regulation 214.

**(g) Lack of Evidence for Audit**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The cleaning of the running shed tank of Maho Running Shed had been done on 28 October 2022 and before cleaning it, there were 800 liters of fuel in the tank and 311 liters of fuel were removed as draining water and sediments and the remaining fuel amount of 489 liters had been transferred back to the tank. Adequate internal control procedures had not been adopted to satisfy that the 311 liters of fuel was not misused.	It is informed that this will be checked and take further actions.	Taking offs should be done in accordance with applicable regulations and internal control procedures.



## 2. Financial Review

### 2.1 Revenue Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<b>(a) <u>Revenues</u></b>		
An income of Rs. 12,587,000 had been lost from 03 shops in the Colombo railway warehouse complex in tendering of stores without proper planning and proper management by the Department of Railways and the revenue of Rs.24,203,032 to be received to the Department of Railways had not been recovered from the rent of a canteen and 02 stores owned by the Department of Railways.	It is informed that the Secretary of the Ministry of Transport is currently coordinating with the Secretary of the Ministry of Industry to settle the arrears between government agencies to recover the rent arrears of Rs.23,809,904.20 receivable from National Paper Company for the use of 02 warehouse buildings as per the advice of the Attorney General No. 18/Miscellaneous/(019) and the Cabinet Paper on Legal Actions between Government Institutions dated 31.05.2018.	Actions should be taken to recover the revenue receivable.
<b>(b) <u>Arrears of Revenue</u></b>		
<b>(i)</b> The reservation situated at Wategama had been leased out to Ceylon Mineral Corporation Limited on transfer orders from 29 December 1963. No actions whatsoever had been taken to recover the lease rent value of Rs. 12,192,825 receivable as per the government assessment for 59 years from the year 1964 to the year 2022.	It is informed that the responsible officers were instructed to review the file and collect arrears or take legal actions.	It should calculate the lease value according to the lease agreement and recover.

- (ii) The value of the total lease rent revenue to be collected as at 31 December 2022 for the railway reserve land under Lease Agreement No. LB 31134 in Peliyagoda Town amounting to Rs.18,308,192, the total lease rent revenue to be collected as at 31 December 2021 for the railway reserve land under Lease Agreement No. LC 1899 of Matale City amounting to Rs.3,803,533, the total lease rent revenue to be collected as at 31 December 2019 for the railway reserve land under lease agreement number LB 30037 in Mirigama town amounting to Rs.1,442,100 had not been recovered up to end of the year under review.
- It is informed that actions will be taken to review and to be recovered in the future.
- It should be promptly recovered as per lease revenue agreements.

(c) **Trade Bills Arrears of Revenue**

- (i) Arrears of revenue of Rs.1,959,005 receivable from 05 institutions which provided services from the year 2000 to the year 2013 and the arrears of trade bill revenue amounted to Rs 43,919,951 by the end of the year 2023 had not been recovered even by the end of the year under review.
- Reminder letters have been sent to collect the arrears of Rs 1,959,005 and discussions are being done at institutional level. Similarly, all the arrears of bills related to the year 2023 had been recovered from the arrears of trade bills revenue.
- Actions should be taken to recover balances receivable.
- (ii) The arrears of receivable as at 31 December 2023 was Rs.3,569,089 with the balance of arrears of Rs.2,189,382 related to 2019 and earlier years from Siam City Cement (Lanka) Company and actions had not been taken to recover that balance.
- A part of the amount receivable from Siam City Cement (Lanka) was recovered during the year 2024 and discussions are being carried out at institutional level to recover this balance which is further
- Actions should be taken to recover balances receivable

to be recovered and to recover the arrears amount of Rs. 2,189,382 for the years 2009, 2010 and 2019.

## 2.2 Unauthorized Working Losses

Audit Observation	Comments of the Accounting Officer	Recommendation
There was a working loss of Rs.13 million in the stores advance account and actions had not been taken to settle it up to now.	It is informed that the actions will be taken to check and settle in future.	Actions should be taken to make available of Treasury provisions to get settled the working losses in accordance with the Financial Regulations.

## 2.3 Entered into Commitments and Liabilities

Audit Observation	Comments of the Accounting Officer	Recommendation
Although all commitments and liabilities as at 31 December 2023 should be disclosed as at 31 December 2023, as per Paragraph 3.3 of State Accounts Guideline No. 05/2023 dated 30 November 2023, the commitments and liabilities valued at Rs 1,131,855,611 related to 02 Sub-departments of the Department of Railways had not been disclosed in the accounts.	The Sub-departments have been instructed to take steps to disclose in the future.	Commitments and liabilities should be disclosed in the accounts.

## 2.4 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Value Rs.	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka				
(i) Section 5.8 of Chapter XIX	92,398,532	Over Rs.30 million per year as "water bills" is borne by the Department Sri Lanka Railways on behalf of the 546 Kothalawalapura Railway quarters of Ratmalana Chief Mechanical Engineering Sub-Department and due to charging only Rs.05 per month from an officer, the Department of Railways had borne an amount of Rs. 92,398,532 as water bills for the years 2021, 2022 and 2023.	New meters have been installed for 509 out of 546 quarters and bulk supply has been completed. The remaining 07 railway quarters which had indicated that water meters were not installed, new water meters have been installed and bulk supplies have been completed. The rest of the houses are currently unoccupied houses. As the meters are installed, water bills are charged as scheduled.	Water meters should be installed properly and expenses should be managed.

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| <p><b>(ii)</b> Amendment of Sub-section 13.2 of Chapter XLVIII of Volume II of the Establishments Code by Section I of Paragraph 02 of State Administration Circular No. 30/2019 dated 30 September 2019 of the Secretary of the Ministry of Public Administration Disaster Management and Livestock Development</p> | <p>Out of the 365 incidents that occurred in the years 2018-2022 related to the parties responsible for train derailments, breakdowns, collisions and damages, the preliminary investigation reports for all 357 incidents themselves had not been completed even by 30 November 2022.</p>                | <p>It is informed that the actions will be taken to report information in the future.</p>  | <p>Preliminary investigations should be conducted as per the Establishments Code and Public Administration Circular.</p>                                      |
| <p><b>(iii)</b> Sub-section 13.2 and Section 13.12 of Chapter XLVIII of the Establishments Code as amended by Public Administration Circulars No. 01/2022 dated 12 August 2022 and No. 30/2019 dated 30 September 2019</p>   | <p>A time span of 03 months to 14 years and 03 months had been taken to conduct and complete 50 preliminary investigations in the Department from 2003 to 2023 regarding the disciplinary affairs of officers. There were 134 uncompleted preliminary investigations currently being conducted by the</p> | <p>Due to the current shortage of investigating officers, preliminary investigation officers, district transport inspectors and delays in obtaining engineering reports, forensic medical reports, magistrate reports etc. and the prevailed Covid 19 pandemic, required for preliminary</p> | <p>As per the Establishments Code and the Public Administration Circular, the preliminary investigations should be completed within the prescribed period</p> |

institution, of which disciplinary  
120 preliminary investigations,  
investigations had conducting of  
exceeded 03 months. preliminary  
Also, it took 02 investigations  
months to 06 years have been  
to complete 30 delayed.  
preliminary  
investigations and  
draft charge sheets.

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| <p><b>(iv)</b> Section 01 (i) of Circular No. P(M) 4/20164/2/68 issued by the General Manager of Railways dated 13 January 2007 and Section 5.6 of Chapter VIII of the Establishment Code</p> | <p>Although overtime for railway staff members should be calculated on the basis of the number of hours worked in excess of 42 hours per week as per the circular, on the contrary, overtime payments had been made to railway drivers since 2007 without any reduction of 42 hours per week.</p> | <p>It is informed that actions will be taken to report information in the future.</p>   | <p>Actions should be taken as per the provisions of the Establishment Code and the Circular of the General Manager of Railways.</p> |
| <p><b>(b)</b> F.R.104 of the 2,600,000 Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p>  | <p>The repair cost of the cab No. PE-3701 which was involved in an accident on 04 May 2013 was Rs.2,600,000 and its preliminary report had not been submitted and even though it had elapsed 06 years since the accident of van No. NA-8168 on 29 January 2017, no investigation was</p>          | <p>It is informed that the relevant officers were made aware to pay special attention to the matters mentioned in the inquiry and take immediate further actions.</p> | <p>Actions should be taken in terms of Financial Regulations.</p>   |

conducted regarding the accident in relation to this loss as per F.R. 104.

<p>(c) Public Administration Circular No. 09/2009 dated 16 April 2009</p>	<p>The Department of Railways had not made arrangements to record the attendance of the drivers in the fingerprint machines. The condition of recording arrivals and departures in attendance registers without using finger scanner machines was one of the main causes of inaccurate overtime calculations.</p>	<p>It is informed that the officers have been made aware to act according to the relevant circulars in the future.</p>	<p>Attendance should be recorded by finger scanner machines as per Public Administration Circular.</p>
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**2.5 Improper Transactions**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>(a) Scheme of Incentives up to a maximum of 100 per cent of wages from 01 May 1993 to staff of repairing locomotives and carriages in the Sub-Department of Chief Mechanical Engineering had been revised up to 75 per cent of the salary from September 2000 as per the Decision of Cabinet of Ministers dated 21 September 2000 Observations are shown below.</p>		

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|-------|---|--|---|
| (i)   | Incentives had been paid for a period of 25 months from October 2000 to October 2002, up to a maximum of 100 per cent of the salary and Payments had been made from November 2002 to November 2004 up to a maximum of 75 per cent of the prevailing monthly salary and from December 2004 to December 2023 based on the monthly salary of November 2004 without obtaining any approval.   | It is informed that the officials were informed to check the documents from the year 2000 and prepare a report and submit them and they will give the answers after receiving the information.         | Incentive payments should be done on the relevant approvals as per regulations. |
| (ii)  | As per the Cabinet decision, the payment of these incentives was approved until a committee comprising representatives of the Ministry of State Administration Home Affairs and Plantation Industries and the Treasury approve the relevant proposal. Even though 23 years had elapsed since the approval of the Cabinet of Ministers received at the time of the audit, Department of the Railways had not taken steps to review and approve this incentive system so far. | Agree with the query and actions will be taken to review this offer in the future.   | Actions should be taken to review and approve the incentive plan.               |
| (iii) | Overtime allowances exceeding 240 hours per month had been paid to workers in each factory, although staff benefiting from the incentive scheme could not be paid overtime as per 4.1.9 of Cabinet Memorandum and 8.10 of Circular 50/2000.   | It is agreed to the points mentioned in the query and it is informed that the staff has to work overtime for the gradual growth of employee vacancies and to maintain the normal transport activities. | Actions should be taken in accordance with incentive circular.                  |
| (iv)  | Although the completion targets of the factories implementing this incentive system are to be reviewed and revised every six months, the incentive targets of 36 factories have not been revised for a period of 01 to 28 years.  | Agree. However, it is informed that it has been difficult to revise the targets due to the lack of staff.  | Actions should be taken in accordance with incentive circular.                  |



## 2.6 Operating Bank Accounts

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<b>(a) <u>Receipts Deposited but not Realized</u></b>		
The value of unrealized receipts deposited in account number 176100129027313 was Rs. 1,178,838 and by these cheques had exceeded 20 days 31 December 2023 since they were deposited and had not been realized by April 2024 when the financial statements were examined.	A sum of Rs 8,517,909 of the unrealized receipts have been realized by 30 April 2024 and arrangements have been made further to be settled a sum of Rs 1,178,838.	Unrealized balances should be settled very quickly.
<b>(b) <u>Unidentified Direct Deposits</u></b>		
The value of 104 unidentified direct deposits in the months of October, November and December 2023 in account number 176100129027313 was Rs 60,849,184 and actions had not been taken to identify them and settle. The value of this unidentified direct deposit had been stated as Rs.62,295,383 in the bank statement.	Answers have not been given.	Actions should be taken to identify and settle direct deposits.

## 3. Operational Review

### 3.1 Performance

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<b>(a)</b> Even though the running of the trains commenced on a time table in the year 1865, until now there have been complaints from the train users that the train is not running according to the time table. The total number of scheduled train runs in the year 2023 was 122,426 out of which the total	Answers have not been given.	Necessary steps should be taken to run trains on time, to avoid cancellation of trains.

number of train runs on time had been 36,771. The total number of canceled trains was 10,531. Accordingly, 70 percent of the trains were not running as per the time table. Out of the planned 113,759 passenger trains, only 36,053 passenger trains ran on time. It was 32 per cent as a percentage.

(b) The Railways, which has been contributing 6 per cent of Sri Lanka's total passenger traffic and 6.5 per cent of freight traffic for a long time, had failed to increase that contribution and although the railway network in the year 1934 was 1521 km, it has reduced by 56 km to 1465 km at present. The decrease had been after the addition of 32 km up to Beliatta.

(c) According to the loan assistance under the Indian Credit Line Agreement, although the Maho-Anuradhapura-Omanthai railway line improvement project was supposed to be completed by 28 November 2022, the physical progress of the project on that day had remained at a poor level of 35 per cent. Anuradhapura-Vavuniya and Vavuniya Omanthai road sections were under construction from January 2023, and construction of the Maho Anuradhapura section had not yet started by December 2023. The physical progress of the entire project was only 69 per cent as at 31 December 2023, and the construction of this Project was not completed even in the year 2023.

Answers have not been given.

Necessary steps should be taken to develop the transport contribution of railways.

Although it was accounted for on 2019.07.18, it was delayed due to certain crisis situations caused by the Covid epidemic situation in 2020 and later on the lack of dollars and the difficulty in supplying diesel caused by it. The first phase has been completed and the second phase has started work in January 2024.

According to the plan, the project should be completed in a quality manner and the road should be opened for the passengers.

### 3.2 Failure to Perform Duties

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
According to the project for the construction and reconstruction of the Kelaniya Old Railway Bridge with all the work completed (Turnkey) which was Euro 16,600,000 under the Austrian aid, it had been reported that the bridge was to be usable up to the year 2022 as per the feasibility study report conducted by Peradeniya University in 2002. Although the bridge had to be removed compulsorily in the next year or two, neither the Department of Railways nor the Ministry of Transport had any prior preparation regarding the measures to be taken and a feasibility study had also not been conducted.	A Turnkey Project was implemented for the restoration of this bridge under Austrian loan assistance it had been agreed to provide the necessary soft loans through an Austrian bank for that purpose. Bids were called for this and only one institution had submitted bids. However, it is informed that after discussing with that institution, actions have been taken to reduce the estimated cost to 16.8 million Euros and enter into agreements.	A feasibility study should be done as soon as possible and the bridge should be reconstructed.

### 3.3 Activities that Contrary to the Main Functions

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
An amount of Rs. 200 million was given to the Sri Lanka Railway Department by the Secretary of the Treasury on 09 September 2022 as per the interim budget allocation of the year 2022 for "vegetable transport by train" and 05 railway carriages had been repaired by spending Rs. 198,790,847 out of that amount. Nevertheless, due to the non-implementation of that Project, the entire expenditure had become an idle expenditure and out of the allocations given for the transportation of vegetables for 04 sub-departments, the allocation of Rs. 96,956,246 in 03 sub-departments had been spent contrary to the purpose and it was 49 per cent as a percentage.	As the amount allocated for this Project has already been used for the works that will affect the development of the Department of Railways in the long term, although the expenditure does not involve the transportation of vegetables, as it is a cost to the railway transport, it is informed that it cannot be considered as a useless expenditure.	Actions should be taken to take actions against officers who gave instructions and approval to use public funds for useless activities without having proper purpose.

### 3.4 Failure to obtained Desired Output Level

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a)</p> <p>(i) As per the Action Plan of the year 2023 prepared by Ratmalana Chief Mechanical Engineering Office, although 83 wagons should be repaired by the month of October, the number of wagons that had been repaired was 35. It was also observed that the performance was as low as 42 percent due to the weak level of supervision. During the first 10 months, the 269 officers (approximately) who were repairing this wagon had been paid Rs.3,480,188 in incentives and 645,600 hours of overtime in addition to their salaries and allowances.</p>	<p>It is informed that allowances and overtime payments are made available in connection with the execution of special projects also in addition to the goals appear in the Action Plan, due to the lack of trained manpower and the need to continue to repair and supply the needed train carriages and engines to the public at the right time.</p>	<p>Monitoring activities should be streamlined and performance should be enhanced.</p>
<p>(ii) Renovation/repair of railway carriages etc. are mainly done in 04 factories and although 83 planned major repairs had to be carried out by the end of the first 10 months of the year as per the Action Plan 2023, the number of actual repairs was 16, which was about 20 per cent as a percentage.</p>	<p>I would like to inform that the following repairs have been carried out according to the Action Plan of the year 2023 .</p> <p>Carriagess - Major Repairs - 67%</p> <p>Carriages - Minor Repairs - 93%</p>	<p>Actions should be taken to achieve the targets given in the Action Pplan during the year.</p>

### 3.5 Delays in Execution of Projects

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) <u>Maho-Omanthai Railway Line Development Project</u></p> <p>Even though the construction of Boo Oya Station and two platforms by the Department of Railways in conjunction with the Maho-Omanthai Railway Line</p>	<p>The construction of the new Boo Oya Railway Station between Medawachchi and Vavuniya is not under the</p>	<p>The fact that failure of constricting both the platforms with the opening of the</p>

Development Project had started from April 2022 at an estimate of Rs.47,178,896, estimates had not been revised to reflect subsequent changes in work items and estimated amounts in the approved estimate. Although the Anuradhapura-Omanthai railway line development works had been completed and train operations had been started from 15 July 2023, the construction of the second platform had not yet been started. Although one of the main objectives of the construction of this station was to reduce the distance of 23 km between Medawachchiya and Vavuniya stations to allow two trains to transfer from Boo Oya station and reduce train delays, though the railway line was built and opened for train running, the delay in the construction of the platform and the non-commencement of the operation of the Station had hindered the achievement of the objectives of the Project.

Maho-Omanthai Railway Development Project but is being carried out by the Sri Lanka Railway Department.

The construction of the building and the first platform of Boo Oya New Railway Station has been completed 100%. Nevertheless, the station has not been able to be used because the works on the signaling system has not yet been completed.

railway station and failure of providing transport facilities to the passengers was a weakness of the Management and actions should be taken to open this station to the public very soon.

- (b) Although works for the construction of a new railway station instead of the present Alawwa Railway Station at an estimated cost of Rs. 24,860,100 had started in 2018, only the work on its railway platform had been started so far.

The soil filling of the railway yard has been completed, and the construction of the upper and lower platforms is being done.. The construction work of the upper road platform is expected to be completed in May 2024 and it is expected the construction works of the lower road platform to be completed this year.

The construction of the new railway station should be completed as soon as possible to avoid inconvenience to the passengers.

The construction of the new railway station building was started in the year 2022, and the previous building plan was revised and after receiving approval from the

Department of Archeology in December 2023, the part of the old building is being renovated. The works on the first floor has been stopped at present and the old building is being renovated.

**3.6 Projects not Received a Progress though Funds have been released**

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Actions had not been taken even to commence 06 projects valued at Rs.6,700,000 during the year 2023 out of the 13 new work projects for which the provisions were made to the Eastern District Engineer.</p>	<p>Answers have not been given.</p>	<p>Arrangements should be made to complete the estimated projects on time.</p>

**3.7 Annual Performance Report**

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Annual Performance Report which should be submitted with the annual financial statements had not been submitted with the financial statements in terms of Section 16(2) of the National Audit Act No. 19 of 2018 and Paragraph 10.2 of the Public Finance Circular No. 02/2020 dated 28 August 2020.</p>	<p>Answers have not been given.</p>	<p>Reports should be submitted on due dates in terms of rules and regulations.</p>

### 3.8 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>A period of 513 to 517 days had elapsed for inviting the bids, evaluating the prices, getting the recommendations of the Technical Evaluation Committee and the Procurement Committee and awarding the bid on the purchase of Track Ballast vide File No. SRSF/7828. The agreement was signed after a delay of 103 days after the draft agreement was sent to the company that was awarded the bid. The amount of 350.06 cubes Track Ballast was not received until 11 October 2023.</p>	<p>After awarding the orders to each supplier and, after receiving the relevant performance bonds as per the bid conditions, the contracts were drafted and sent asking the supplier's consent as per the decision of the Procurement Committee and after receiving the relevant consent, the contracts were prepared and handed over to the Industrial Division for signing the contract.</p> <p>The supplier has made a request to extend the time related to the supply of granite to the railway yards of Liyanwala and Miriswatta, and this supplier had supplied 6.42 and 43.52 cubes of granite to the railway yards of Miriswatta and Liyanwala respectively on 14.11.2023.</p>	<p>Arrangements should be made to avoid delays in the procurement process.</p>

### 3.9 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<b>(a) <u>Underutilized Assets</u></b>		
<b>(i)</b> Twenty three out of 69 rooms relating to 05 field houses (two storied) belonging to Anuradhapura Supervising Manager (Buildings) within a period of 02 months to 15 years 07 months and 06 out of 56 bungalows within a period of 05 months to 05 years 09 months and 31 out of 189 paired houses within a period from 02 months to 12 years 07 months had remained underutilized without being used.	As the quarters have been left vacant for years without being occupied and have fallen into dilapidated condition. Nevertheless, after the Transport Authority (Anuradhapura) allocates these quarters to someone, the repair works are carried out according to the needs of that resident. Due to these houses being vacant, it becomes more dilapidated.	It should conduct a feasibility study on whether the renovation of these houses is economically viable and actions should be taken accordingly.
<b>(ii)</b> There were two office rooms measuring 7 ¼ x 5 ¼ feet to the right of the office room at Jaffna Railway Station and one part of it was given to a telephone company free of charge and the other part was closed for without being utilized.	Answers have not been given.	The rooms should be given to external institutions on lease or rental basis and room facilities should be utilized.
<b>(iii)</b> Thirteen Romanian train coaches were parked at Jaffna Railway Station for a period of 02 years and 02 months from 11 May 2021 to 26 July 2023 which was the audited date without any use.	Answers have not been given.	Usable coaches should be used for passenger transport and unusable coaches should be put to some useful purpose rather than destroyed.
<b>(iv)</b> Sixty nine wagons and coaches of 04 railway stations had been parked at the railway stations for many years and they were decaying and getting destroyed. Necessary measures had not been taken to identify and protect repairable coaches and to repair and put them into use.	Answers have not been given.	Actions should be taken to identify repairable coaches and protect them and repair them.



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| (v)        | A telephone company had provided telephones to every railway station to make the railway system efficient by maintaining a good connection among the train, train controller, train driver, control system, railway stations and head office by using GPS technology and maintaining the train schedule as scheduled. Nevertheless, the 12 telephones given to Kurunegala and Polgahawela Railway Stations had only made telephone calls among the railway stations. | The General Manager of Railways has given necessary instructions regarding the use of this dialogue phone and necessary training programs also regarding the use of these communication devices to all the departments. The correction of errors occurring during the use of these telephone and communication equipment is done by the relevant supplier as per the agreement. | Actions should be taken to use the phone system efficiently and effectively.                                  |
| (vi)       | A number of 132 government houses attached to 05 railway stations remained vacant without any occupants and within this, there were also many houses where water and electricity which were the basic facilities for living were unavailable.  | Answers have not been given.  | These government houses should be utilized with the basic facilities required for residence.                  |
| (vii)      | There were 05 unused machinery and 34 unused stock items remained for long in the Polgahawela Building Inspector's warehouse.  | All the machines mentioned here are inactive at present. Instructions for repairing repairable equipment are given. Expired items are also included in this.  | The machinery should be repaired and put back into use and the unusable stock should be disposed of properly. |
|            |  | Although PVC Pipe is used instead of GI Pipe, GI Pipe is still available in several places, so the material has been kept in storage as it may be needed.   |   |
| <b>(b)</b> | <b>Leasing out the Lands</b>   |   |   |
| (i)        | Agreements had been entered into for different extents of land regarding the land related to LB 3451 and Lease Deed No. 35748 located at Mirigama in Gampaha District, during 1976 - 1990 in the form of 01 Rood 08 Perches as a   | Answers have not been given.  | Lease agreements should be maintained up to date and recovery of lease rent should be done accordingly.       |

portion of land, 12.5 Perches during 1991 - 1995, and 31.8 Perches during 2000 - 2010. A lease agreement had not been issued even up to a period of 12 years 08 months after 31 December 2010 that is up to 13 September 2023, the date of audit.

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| <p><b>(ii)</b></p>  | <p>There had been a delay of 01-07 years for the consideration of requests for lease through a lease deed relating to the leasing of 03 plots of land totalling 02 acres 01 roods 35.16 perches located at Nawalapitiya in Kandy District, Oddamawadi in Batticaloa District, Ragama in Gampaha District. Further, the signing of the agreement was done after a delay of between 02-04 years after receiving the second lease assessment decision.</p> | <p>It is informed that the lease agreement has been given after completing the relevant documents according to the departmental system, after obtaining the approval of two lease committees and after receiving the approval of the officers in charge of the sections and the General Manager of Railways and after paying the arrears.</p>   | <p>Actions should be taken to carry out the process promptly when lease out and generate lease rent revenue as per specified.</p> |
| <p><b>(iii)</b></p> | <p>A lease agreement had not been entered into for 40 years from January 03, 1983 to July 10, 2023, the date of audit for 2.5 perches of railway reserve land pertaining to LD 33297 situated at Kanduruwela in Polonnaruwa District.</p>   | <p>This approval of the Second lease Committee has been received on 17.01.2020. Accordingly, after payment of the arrears of use money, the agreement has been submitted for approval. Since the assessment period has ended here, it is informed that a new assessment report has been called and the related activities are being carried out to issue a lease deed to him accordingly.</p> | <p>It should enter into lease agreements and collect lease rent.</p>  |

- (iv) Although the permission was requested on 11 June 2019 to construct a temporary shed and maintain a motor vehicle repair station and to construct a security fence and put up a gate on the land of 26 perches pertaining to the lease No.LC 3589 situated at Gatambe in the Kandy District, the decisions of the local lease committee were received after 04 years and 11 months and the lease amounting to Rs.527,994 had also not been collected as at the date of audit.
- It is clear that the relevant letter of the Chief Engineer (Roads and Industries) has been looked into as per the file and the Chief Engineer (Roads and Industries) has been asked to prepare a new plan considering the request of the lessee.
- Committee decisions should be made without delay and leases agreements should be entered into.
- (v) The Department of Railway leases out railway reserve lands for oil filling stations to the Ceylon Petroleum Corporation and in relation to that, the following facts were revealed during the lease of railway reserved land in the areas of Peliyagoda, Matale, Mirigama and Wattedagama.
- a. It had defaulted to enter into lease agreements from 01 January 1980 to 42 years 05 months for Peliyagoda reserved land, LC 1899 reserved land from 01 October 1947 to 75 years 05 months, for Wattedagama reserved land 43 years 05 months from 01 January 1980.
- Answers have not been given.
- Lease agreements should be kept up-to-date and necessary assessments should be done on time and action should be taken to collect lease revenue.
- b. Although assessment reports have been requested for the period 2022 to 2026 for the Lease Agreement No. LC 1899 in Matale City railway reserve land, thus the assessment reports were not received up to 22 May which was the date of audit, the lease amount for the year 2022 had not been calculated.

- c. Although assessment reports have been requested for the period 2020 - 2024 for the Lease Agreement No. LB 30037 in Mirigama City railway reserve land, the lease rent applicable for the years 2020 and 2021 had not been calculated as the assessment reports were not received even 22 May 2023 which was the date of audit.
  
- d. Although the Lease Agreement No. LC 8420 in Wattagama Town Railway Reserve Land was handed over to the Ceylon Petroleum Corporation on transfer orders by a gazette dated 29 December 1963, there was no lease agreement between the Department of Railways and Ceylon Petroleum Corporation there was a delay of 49 years since the assessment reports related to the period from 1964 to 2017 were called on 24 October 2013 and until then the value of the land had not been assessed. Due to the delay in calling the assessment reports, it was also impossible to collect the lease rent related to those periods.

(c) **Idle Assets**

There were 06 terraced and paired houses and Supervisory Manager's (permanent way) quarters, policeman's quarters and several other terraced houses in relation to Galgamuwa Railway Station and these terraced houses had been destroyed in such a way that it was impossible to physically observe how many had remained.

The quarters have remained vacant for years without being occupied and have fallen into dilapidated condition. Nevertheless, after the Transport Superintendent (Anuradhapura) allocates these flats to someone, the repair works are carried out according to the needs of that resident. It is also mentioned that the provision is not sufficient to repair houses remained in vacant.

It should renovate these houses and making them available for occupancy and proper maintenance should be done.

(d) **Controlling Vehicles**

The truck number 68 - 5023 had destroyed by fire on 03 March 2007 at Ambalangoda and its loss was Rs. 2,200,000 in the Preliminary Report. Nevertheless, actions had not been taken to conduct a formal investigation regarding this incident and arrangements had not been made to recover the loss if there are those responsible and it was also observed that the file was not updated after 09 April 2014.

Answers have not been given.

Investigations should be conducted as per regulations and if there are those responsible, the losses should be recovered from them.

(e) **Locomotive Repair and Maintenance**

The Department of Railway had 103 M class engines and 133 S class engines by the end of 2023, of which 47 and 31 engines respectively were taken out of service for repairs. The following observations are made in this regard.

(i) It had been purchased the M class engines which were undergone on audit ranging from Rs. 15 million 765 million and the value of an S class engine ranging from Rs. 8 million to 218 million. The 47 M class engines and 31 S class engines that were sent for repair were kept in the running sheds or Ratmalana workshop for a period of 01 to 07 years without being repaired.

Answers have not been given.

It should prepare a plan for engine repairs and repairs should be completed accordingly.

(ii) Out of the 10 M-11 engines last purchased in 2019 as the value of one engine for Rs. 765 million each, 05 engines were taken out from running and sent for repair. Although the performance of the M class engines purchased in the early days was high, technical and other defects had caused poor performance of recently purchased engines.

Answers have not been given.

When buying engines, technically, it should buy engines that best suit roads and other needs of Sri Lanka.

### 3.10 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) It was observed that a two-storied building was constructed by an outside party many years ago within the platform area of the Polonnaruwa station premises and no legal action whatsoever had been taken regarding the unauthorized constructions even by the time of the audit.	Answers have not been given.	Appropriate actions should be taken against persons involved in unauthorized occupation of Railway Department premises.
(b) There is a 45,000 liter (10,000 gallon) fuel storage tank that has not been used for more than 10 years at the Batticaloa Running Shed, and a smaller tank of around 27,000 liters was used to store fuel at the Running Shed. As a result, it had to refuel from a Bulk Oil Transport (BGT) or to unload a Bulk Oil Transport (BGT) for the bulk tank on two occasions until the fuel in the bulk tank is less than 500 litres. Accordingly, a Bulk Oil Transport (BGT) had to be stored at the Batticaloa Railway Station or track for a period between 04 and 11 days.	Answers have not been given.	Assets should be utilized with maximum efficiency and effectiveness.
(c) The Management had failed to implement to prepare, employ, monitor, pay system of train drivers service cycle using timely techniques.	Answers have not been given.	While preparing the service cycles, current techniques should be adjusted and prepared in a formal system.
(d) During the checking of the Memorandum of Understanding signed under the development program "Pibidemu Polonnaruwa" for the transfer of land owned by the Railway Department to the Urban		

Development Authority for the construction of the financial center and its performance, the following matters were observed.

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| <p>(i) Although a meeting hall measuring 442 square feet in Plot No. 02 of Plot No. LA/34/16 should be constructed by the Urban Development Authority and handed over to the Railway Department as per the Conditions 02 of the Memorandum of Understanding, and also almost 03 years and 06 months had elapsed since the contractual period ended on 16 October 2023, which was the audited period, the construction of the said building had not even commenced and the Department of Railway had not taken actions in order to obtain it in accordance with the agreement.</p> | <p>Answers have not been given.</p> | <p>Necessary actions should be taken looking into non-fulfillment of the agreement.</p>                    |
| <p>(ii) Although the buildings and land used by the Agrarian Services Department should be released from the Agrarian Services Department and handed over to the Railway Department by the Urban Development Authority by carrying out suitable repairs for the Supervisory Manager's (permanent way) Office, Restrooms, Equipment Store, Oil Store and District Engineer Restroom as per Condition 09 of the Memorandum of Understanding, the said buildings and land had not been handed over to the Railway Department even by the date of audit .</p>                         | <p>Answers have not been given.</p> | <p>Necessary actions should be taken looking into failure fulfilling of the agreement.</p>                 |
| <p>(iii) Although the aggrieved party has the right to cancel the Memorandum of Understanding by giving a period of 30 days for rectification if one or more of the terms of the</p>  | <p>Answers have not been given.</p> | <p>Actions should be taken cancelling the agreement because failure of performing as per the agreement</p> |

Memorandum of Understanding is breached by one of the parties as per Condition 15 of the agreement, despite the Project was not completed within the specified time by the Urban Development Authority, and despite the absence of facilities to be provided to the Railway Department as above, the agreement had not been canceled and the Railway Department had not taken back the possession of the land.

and to acquire the ownership.

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| (e) | The operation of 19 bamboo gates for side roads around Trincomalee Railway Station is not done under the Railway Department and the operation of those gates was under the responsibility of the police. Although 19 gate guards are employed and payments are made at the rate of Rs. 7,500 per month, in many cases, the railway station had received complaints that the guards were not present at the gate stations during the arrival of the train, and therefore accidents occurred and the process was not carried out properly and a proper procedure in this regard had not been implemented. | There are 19 railway crossings operate by the community police unit in the Trincomalee district jurisdiction. It has been decided in the District Coordination Committee meeting on 07.06.2023 that gatekeepers will be deployed for these railway crossings in coordination with the Civil Defense Force and the relevant police stations in the area. | A formal programme should be implemented immediately so as security is established. |
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#### 4. Good Governance

##### 4.1 Providing Services to the Public

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Although the main role of the Railway Department is to provide an efficient transport service to the public, the total number of scheduled train runs was 122,426 in the year 2023 and the total number of trains that had run at the	Answers have not been given.	Necessary actions should be taken to run scheduled trains on time.



specified time was 36,771 through this. Thus the total number of canceled trains was 10,531 with 70 percent of the trains had not run on time. Out of 113,759 scheduled passenger train runs, only 36,053 passenger trains had run at the scheduled time.

## 5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The total approved staff of the Department was 20,604 and there were 6,223 vacancies, in the form of 83 at the senior level, 383 at the tertiary level and 5,757 at the secondary level. It had been 30 per cent of the approved number of staff.	Answers have not been given.	Vacancies should be filled by re-reviewing the approved staff and identify the essential staff required considering the circular provisions.
(b) Guidelines were given by the Public Administration Circular No. 2/2018 dated 24 January 2018, regarding the development of human resources in public institutions on the need to use the human resources of the public sector in a planned manner in order to use the human resources exist in the public service of Sri Lanka in a more efficient and effective way for the development of the country. Arrangements had not been made to prepare a Human Resource Development Plan and to sign annual performance agreements for all staff, which should be done from the year 2018, in order to achieve the above objectives.	Human Resources Development Plan has been prepared and presented.	Actions should be taken in terms of the Circular.