

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 2024 comprising the statement of financial position as at 31 December 2024 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 20 June 2025 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 30 June 2025 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 2024 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 Emphasis of matter - Basis of preparation of financial statements

The attention is drawn to Note 1 to the financial statements, which describes the basis of preparation of these financial statements. The financial statements have been prepared for the use of the Department of Sri Lanka Railways, the General Treasury and the Parliament in accordance with Government Financial Regulations 150 and 151 and Government Accounting Guidelines No. 06/2024 dated 16 December 2024 as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Sri Lanka Railways, the Treasury and the Parliament of Sri Lanka. My opinion in this regard is not modified.

1.4 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 Government Finance Regulations 150 and 151 and Government Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025 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

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

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Receipts of Income

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) The income for the year under review was Rs. 16,176,746,231 as per the schedules pertaining to 6 categories of income, since the income was taken as Rs. 17,461,383,818 as per the income statement, there was a difference of Rs. 1,284,637,587 between those balances.	It has been pointed out that there are variations in the revenue classifications of the Railway Department. I agree with the observations of the variation in values as indicated by the audit..	Actions should be taken to account the income accurately in financial statements and prepare the relevant schedules accurately.
(ii) Since the same income had been taken under different income categories in each month when classifying income, the income classification had not been carried out on a specific basis.	It has been pointed out that there are variations in the revenue classifications of the Railway Department. I agree with the observation that there is a difference in values.	Actions should be taken to classify and account income correctly.

(b) Reconciliation Statement of Advances to Public Officers Account

Audit Observation	Comments of the Accounting Officer	Recommendation
The opening balance of the control account as per the departmental books was Rs. 1,243,797,537 at the beginning of the year 2024, while it was Rs. 1,247,975,342 as per the Treasury prints. Accordingly, there was a difference of Rs. 4,177,805 between the departmental books and the Treasury books. Although this difference had arisen since 2004 when the Ministry prepared these	The Public Accounts Department has been informed to provide instructions to settle this loan balance.	Actions should be taken to identify the reasons for the difference and resolve .

accounts due to the transformation of the Department into an Authority and it had not been possible to resolve this difference even though it has elapsed more than 20 years .

(c) Property Plant and Equipment

	Audit Observation	Comments of the Accounting Officer	Recommendation
(i)	Although the balance of non-financial assets as of 31 December 2023 in the statement of non-financial assets was Rs. 488,731,492,579 and since it was taken as the opening balance of the year under review as Rs. 484,263,351,241, the opening balance of the year under review had been understated by Rs. 4,468,141,338. Also, due to the fact that the value of land, machinery, buildings and work in progress in the statement of non-financial assets had been adjusted to the account of the year under review by Rs. 10,468,147,616 for both the years 2023 and 2024, it had not been possible to identify the value of the year under review separately.	Answers have not been provided.	Actions should be taken to match non-financial asset balances to the accounts accurately.
(ii)	The balance of non-financial assets in the statement of financial position was Rs. 494,731,498,857 as of the end of the year under review and as the balance was Rs. 906,824,395,574 according to the Treasury prints, actions had not been taken to settle the difference of Rs. 412,092,896,717 between those balances .	Answers have not been provided.	Actions should be taken to identify the reasons for the difference and resolve .

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| <p>(iii) Actions had not been taken to account the machinery worth Rs. 1,231,523,455, which had been provided to the Way and Works Sub-Department of the Railway Department for use through a project, under non-financial assets in the year under review.</p> | <p>Answers have not been provided.</p> | <p>Actions should be taken to account the assets accurately.</p> |
| <p>(iv) Although the valuation report of the Chief Mechanical Engineering Sub-Department dated 20 May 2024 of the year under review showed that the assessed value of the machinery was Rs. 283,500,135,821, due to the fact that it was recorded as Rs. 74,096,703,287 in the statement of non-financial assets, the machinery value had been understated by Rs. 209,403,432,534.</p> | <p>Answers have not been provided.</p> | <p>Actions should be taken to account the correct value of the assets .</p> |

(d) Stores Advance Account

	Audit Observation	Comments of the Accounting Officer	Recommendation
(i)	The balance due to the Treasury as per the Treasury prints in the Stores Advance Account was Rs. 9,201,870,163 As of the end of the year under review and the balance in the Stores Advance Account had been brought equal to the balance as per the Treasury prints by deducting Rs. 403,366,221 as the previous year overvaluation of the Stores Advance Account. This adjustment had been adjusted to the advance account as previous year overvaluations since 2014 and the adjusted balance in the year under review had been adjusted since 2019 itself.	The outstanding amount of Rs. 492,132,509 identified since 2013 has now been reduced to Rs. 403,366,221. I would like to inform you that actions are being taken to carry out further investigation and settle.	Action should be taken to settle the balance shown in the account as overvaluation.

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| (ii) | Due to the fact that the balance was not reconciled to the previous years in the Stores advance account and was shown as receipts in the year under review in correcting the error in payment of Rs. 142,676,688 from the Stores Advance Account, which was payable under the expenditure head in the years prior to the year under review, the credits to the Store advance account during the year were overstated by that value. | The minimum receipt limit for the year under review is Rs. 1,900 million and since receipts up to Rs. 2,290 million have been accounted, these credits have not been enforced towards the minimum receipt limit for the year under review. | Errors relating to previous years should be adjusted to the closing balance of the previous year. |
| (iii) | A stock of fuel and lubricants worth Rs. 61,836,980, which had not been issued since 2009 and had no physical balance, had been included in the final stock in the year under review and actions had not been taken to identify the reasons for the shortage of that stock and take necessary measures . | actions will be taken to identify and correct the said information in the future due to the very old balances. It will take a considerable amount of time to identify and present the above balances accurately due to the difficulty in finding sources and the lack of sufficient staff. | Actions should be taken to identify the reasons for the stock shortage and correct the value of the stock. |
| (iv) | The value of letters of credit unsettled at the end of the year under review was Rs. 305,723,618 and there was a balance of Rs. 92,370,325 in it which had been outstanding for a period of between 02 and 26 years. | I agree with it. | Actions should be taken to settle the letters of credit. |
| (v) | Even though a sum of Rs. 95,035,685 has been paid to suppliers from the year 1980 to the year 2024, due to non-receipt of goods, damaged stocks, receipt of unsuitable stocks and | A sum of Rs. 95,035,685 had been paid to suppliers for non-receipt of goods, stock damage, receipt of unsuitable stocks and stocks in a condition that | Actions should be taken to check goods receipts and take necessary actions accordingly. |

rejected stocks, the value of this stock was included in the Stores advance account and this stock had been shown as in-transit stock and prepayments. necessary action had not been taken in this regard.

should have been rejected In relation to this period and I kindly inform you that actions will be taken to promptly obtain the goods receipts in the future and include that amount in the stock.

- (vi) Although a sum of Rs. 20,667,636 had been paid to suppliers as advances during the 44-year period from 1980 to 2024, the amount had been shown as outstanding advances in the stock in transit account and as prepayments in the Store advance account due to non-receipt of goods up to 31 December 2024, necessary actions had not been taken in this regard.
- I would like to inform that actions will be taken to settle this advance amounting to Rs. 20,667,636 in the future.
- Action should be taken to settle outstanding advances.

(e) **Imprest Balance**

Audit Observation	Comments of the Accounting Officer	Recommendation
The outstanding imprest balance of Rs. 4,641,160 to the Treasury as at the end of the year under review had been settled through the Account Summaries in April 2025.	The outstanding advance of Rs. 4,641,160 is related to the payment of election allowances for the year 2024 and the summary of accounts in the April 2025 have been settled.	Action should be taken to settle the outstanding imprest balance in accordance with Treasury circulars

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

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Since a balance sheet containing the contents of each asset category of non-financial assets, which had a total	Answers have not been provided.	Detailed schedules related to assets should be submitted to the audit.

value of Rs. 494,731,498,857, had not been submitted to the audit to verify the declared values of the assets, that value could not be verified.

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| <p>(ii) According to the closing stock of the stores worth Rs. 9,075,356,468 included in the financial statements for the year under review, due to the non-submission of stock reports and stock survey reports indicating stock quantity, unit value and total value, schedules for outstanding letters of credit of Rs. 8,025,663 for the period 2019 to 2021, schedules for goods paid but not received of Rs. 33,681,583 for the period 1980 to 2019 and creditor schedules for creditors of Rs. 76,452,203 for the period 1996 to 2011, it was not possible to satisfactorily observe and verify those balances during the audit.</p> | <p>Answers have not been provided.</p> | <p>Detailed schedules should be prepared for each balance.</p> |
| <p>(iii) Although lands worth Rs. 407,396,141,500 had been removed from the accounts as disposals according to the Treasury prints for the year under review, any evidence to support this was submitted to the audit.</p> | <p>Answers have not been provided.</p> | <p>Documents related to the removal should be submitted for audit.</p> |

2. 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.

	Reference to Paragraphs of the report relating to the preceding year	Recommendation which was not implemented	Reference Paragraph of this Report
(i)	1.6.6 (a)	(i) Treasury computer prints and departmental books should be prepared accurately in accordance with regulations, and discrepancies should be checked and corrected.	1.6.1 (d) (i)
(ii)	1.6.6 (b)	(i) Actions should be taken to investigate the reasons for the difference and resolve.	1.6.1 (b) (i)
(iii)	1.6.8	Necessary disclosures should be made in the financial statements.	1.6.1 (e) (II)

3. Financial Review

3.1 Revenue Management

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	According to the invoices for transporting oil for the year under review, the income of Rs. 132,853,404 was deducted by Rs.16,171,289 without any agreement with the customer and the income for the year had been taken to the statement of income as Rs. 116,682,115.	Discussions are being carried out with the relevant institution.	Actions should be taken to deal with the customer according to an agreement.
(b)	According to the files where bills were issued for the lease of lands owned by the department, the outstanding land lease income of Rs. 1,476,237,740 had not been accounted in the statement of arrears of revenue by the end of the year under review.	Since the arrears of income were calculated after the accounts for the year 2024 were prepared and submitted, that amount has not been included in the arrears of income.	Actions should be taken to account outstanding income.

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| <p>(c) Actions had not been taken to recover or write off the balance of Rs. 705,548,507, namely Rs. 769,194 in the Railway Licence 1 Account, which existed before the year 1987, and Rs. 704,779,313 in the Railway Licence 2 Account, which existed since the year 1987.</p> | <p>The License 1 account has been in operation since the inception of the department until 1987 and it has been difficult to find sufficient documents for the outstanding balance of Rs. 769,194. The relevant institutions have been informed to recover the outstanding revenue balance related to the License 02 account.</p> | <p>Action should be taken to recover the arrears of income or write them off in accordance with the rules.</p> |
| <p>(d) A sum of Rs. 156,939,516, which includes Rs. 98,449,334 for the year 2024, Rs. 10,540,806 for the year 2023, Rs. 4,945,223 for the year 2022 and Rs. 43,004,153 from the year 2021 and previous years remained as arrears of revenue as at the end of the year under review in goods revenue, actions had been taken to recover them.</p> | <p>It is kindly informed that it is not possible to find information regarding these deficits as they are values that have been coming for over 60 years.</p> | <p>Action should be taken to recover the arrears of income or write them off in accordance with the rules.</p> |
| <p>(e) A total of Rs. 563,493,469 consisting of Rs. 21,219,599 relating to the year 2024, Rs. 42,893,257 relating to the year 2023, Rs. 16,569,366 relating to the year 2022 and Rs. 482,811,247 relating to the year 2021 and previous years remained as arrears of income as at the end of the year under review in other income, actions had been taken to recover them.</p> | <p>Answers have not been provided.</p> | <p>Action should be taken to recover the arrears of income.</p> |

3.2 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Preparation of over-estimates		
(i) The total provision of Rs. 26,150,000 estimated for 04 recurrent expenditure objects for the year under review and Rs. 198,067,933 had remained out of the provision of Rs. 438,050,000 allocated for 29 recurrent expenditure objects and it ranged from 21 percent to 95 percent of the estimated provision.	Certain balances need to be made in the methodology for providing the necessary provisions to continue the functions of such a complex department, which is allocated under sub objects in order to facilitate the maintenance of the internal financial control of the department.	Arrangements should be made to utilize the provisions according to the action plan.
(ii) The total provision of Rs. 14,907,000,000 estimated for 06 capital expenditure items for the year under review and Rs. 2,278,114,589 had remained out of the provision of Rs. 5,810,700,000 allocated for 09 capital expenditure items and it ranged from 21 per cent to 95 per cent of the estimated provision.	Certain balances need to be made in the method of making the necessary provisions in order to continue the work of such a complex department. It is difficult to do so with 100 percent pin-point accuracy in preparing estimates. I would like to inform that although there are overruns in the budget objects, actions have been taken to remain within the allocation limit of the Treasury objects.	Arrangements should be made to utilize the provisions according to the action plan.

3.3 Entered into Commitments and Liabilities

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though the balance due to the State Timber Corporation from the Railway Department was Rs. 1,105,956,992, since it is stated as Rs. 1,268,369 in the statement of commitments and liabilities in the Railway Department and although there was a difference of Rs. 1,104,688,623 between those balances, actions had not been taken to identify it.	I would like to inform that arrangements have been made to present it under liabilities in the future.	Actions should be taken to identify the balance with the relevant institutions accurately and record in the statement of liabilities.

3.4 Assurances to be made by the Accounting Officer

Although the Accounting Officer was required to provide assurances regarding the following matters in accordance with the provisions of Section 38 of the National Audit Act, No. 19 of 2018, action had not been taken accordingly.

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the Chief Accounting Officer and the Accounting Officer were required to ensure that answers should be provided to all audit queries within the specified time frames as required by the Auditor General, the answers had not been provided to the audit queries as per paragraph 4.4 of the report.	It had not been possible to provide answers to the audit due to the non-receipt of the preliminary investigation report. I would like to inform that the preliminary investigation report has been submitted on 02 June 2025 and forwarded to the Auditor General the same.	Actions should be taken to provide answers to audit queries within the stipulated time.

3.5 Reference to laws, rules and regulations

Reference to laws, rules and regulations	Observation Value Rs.	Non-compliance	Comments of the Accounting Officer	Recommendation
Regulation 104 (3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	20,456,009	660 incidents of train derailments, 585 breakdowns and 13 collisions have been reported during the period from 2020 to 2024 and although 572 accidents had occurred, investigations have not been completed even though a period of 01 to 04 years has passed in terms of Financial Regulation 104. The estimated loss of 88 accidents for which investigations have been completed had been a sum of Rs. 20,456,009.	the preliminary investigations into train derailments, breakdowns and collisions, and accidents between 2020 and 2024 have been severely delayed due to the high number of vacancies among the investigation officers in the Transport Sub-Department.	Actions should be taken to act as per the financial regulations in respect of Damages.

4. Operational Review

4.1 Failure to Perform Duties

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A total of 125,036 planned train journeys were scheduled in 2024 including intercity, postal and express, mixed trains, passenger	facts such as the failure to recruit train drivers, supervisory managers and trained employees in the	Actions should be taken to identify the causes of train delays and cancellations, seek solutions and steps

trains, freight trains and rail-buses and 119,731 of these were operated. Only 61,038 of these were operated on time. 49 percent of the train journeys operated, that is, 58,693 journeys, were delayed with delays ranging from 10 minutes to 60 minutes. Also, 5,305 trains out of those journeys were cancelled, which was 4.2 percent of the total number of scheduled trains.

technical sector, the delay in repairing worn-out and damaged locomotive power sets, the running of new power sets for 12 years without major repairs, the failure to repair 15-year-old engine wagons/carriages and power sets, the failure to recruit engineers and the delay in the modernization of the Rathmalana factory, the failure to receive rails on time for road repairs, the imposition of speed limits, the restriction of travel times for road development projects and the weather conditions have all contributed to train delays and cancellations.

should be taken to ensure that trains run on time.

- (b) There are 1,362 major and minor level crossings along the railway system, of which 185 are private level crossings and 1177 are level crossings to be protected by the Railway Department and of these 1177 level crossings, 300 are level crossings with railway gates and 438 are level crossings with railway signals. Although the remaining 439 crossings, including 200 manually operated gates, were in an unsafe condition, actions had not been taken in that regard. 385 crossing accidents had occurred during the 5-year period from 2020 to 2024 due to the existence of these unsafe railway crossings and the failure to properly implement the safety measures implemented

There are 1362 major and minor level crossings along the railway system. Of the 439 level crossings listed as unsafe, most have been identified as dangerous and railway stations have issued warnings and installed speed limits, warning signs, and other warning signs as a temporary measure.

Immediate safety measures should be taken at unsafe crossings to prevent accidents.

at the crossings and 37 deaths and 105 injuries had been reported.

- (c) Although a joint program with the Department of Wildlife to minimize wild elephant accidents had been conducted from 11 to 15 October 2018 and surveys had been conducted to study the locations where wild elephants were hit by trains and the locations where wild elephants roamed along the railway line, steps had not been taken to minimize wild elephant collisions. As a result, accidents involving wild elephants colliding with trains have become a major tragedy today and 53 wild elephants were reported to have died and 17 were injured due to train collisions even during the five-year period from 2020 to 2024.
- The Railway Department has issued an internal bulletin on 15 May 2025 imposing new train speed limits and has taken steps to work in conjunction with the Forest Conservation Department to clear both sides of the railway line so that the elephant crossing is clearly visible to the train driver in order to minimize collisions with wild elephants.
- Actions should be taken to identify the causes of wild elephant collisions, seek solutions and take to prevent such accidents.
- (d) **Online train seat reservation**
- (i) There is a huge passenger demand for the Colombo Fort - Badulla train and 4 trains are operated daily for that purpose. Online seat reservations are opened every day at 10.00 a.m. a month in advance for this purpose and although more than 58 percent of the seats are booked within 01 second and all the seats are booked within an hour, a set of proposal had not been prepared and brought to the attention of the authorities to meet the increasing demand.
- Since facilities have now been provided to reserve 60 percent of the number of seats that can be reserved in advance through the online system and the remaining 40 percent at the railway stations to overcome this situation, it has brought convenience and benefits to passengers when making reservations.
- Actions should be taken to provide adequate train services according to passenger requirements and to revise seat reservation methods to make them fair and convenient.

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| <p>(ii) Although according to Section 01 of the Terms and Conditions to be followed when reserving seats online, 05 seats can be reserved per identity card when reserving seats online, seats had been reserved from 24 to 182 seats per identity card during the sample audit.</p> | <p>Although there was no limit on the number of seats that could be reserved per ID number when reserving seats online initially, the number of seats that could be reserved per train per ID number was limited to 05 due to irregularities that occurred and Mobitel had been informed accordingly.</p> | <p>Actions should be taken to comply with the Internal control arrangements .</p> |
| <p>(iii) Online (M) seat reservations are made by a company and the income generated from the reservation of M seats is collected by that company and after the the company's commission is retained, the income is remitted to the Railways Department. Although the agreement entered into between the company and the Sri Lanka Railways to implement this online M seat reservation system had expired on 31 December 2023, actions had not been taken to update the relevant agreement or enter into a new agreement. The delay in entering into this agreement was mainly due to the company not having taken steps to deposit the money.</p> | <p>The deposit of Rs. 4 million was revised to Rs. 18 million and the money to be remitted every 02 days due to the increase in train journeys where seats can be reserved and the approval of the Attorney General has received for this. The agreement can be signed as soon as the relevant company makes the deposit of Rs. 18 million.</p> | <p>Actions should be taken to act as per a valid agreement.</p> |
| <p>(e) The train that was scheduled to leave from Batticaloa to Colombo on 25 January 2025, had not been operated due to insufficient accommodation facilities for the two train guards. According to the Transport Superintendent, accommodation facilities had been provided for two guards in the form of one room each. Also, the</p> | <p>This matter was taken up by the Railway Guards Association as a trade union action and the relevant officers have also been prevented from giving statements for the basic disciplinary actions being taken in this regard. Accordingly, further</p> | <p>An investigation into the incident should be conducted and necessary action should be taken accordingly.</p> |

train had run to Colombo without passengers without a scheduled schedule on 26 January. The Railway Department had not studied the damage and impact caused to passengers and other parties due to the train not running according to the scheduled time table on the scheduled date and taken the necessary measures to prevent such situations from occurring in the future.

necessary steps have been taken as per Chapter XLVIII, Section 13:10 of the Establishments Code.

- (f) The department is in possession of total of 267 locomotives and power sets, of which 122 are over 30 years old, 31 between 20 and 30 years old, 66 between 10 and 20 years old and 48 less than 10 years old. Of this fleet, 103 trains, that is, 38 percent, had been removed from running even by April 2025. Out of these, 39 locomotives had been parked at railway stations and 64 locomotives were parked at Rathmalana Railway Station for a period of 01 to 08 years. Also, 1475 passenger carriages out of a total of 1662 carriages had been in operation in 2024. 816 wagons out of 1705 had been in operation.
- The lifespan of a locomotive is about 40 years and the failure to follow a large-scale modernization method after 20 years to minimize engine breakdowns, lack of spare parts and staff, lack of spare parts for the old M7 and M9 engines, the fact that 02 M7 and M9 engines have been stopped for 08 years and high engine breakdowns during operation have all contributed to this. Only 148 are running out of 165 engines suitable for operation.
- Steps should be taken to repair and put into use locomotive power sets and carriages that can be repaired.
- (g) **Railway construction project from Maho to Omanthai**
- (i) The completion of the Maho - Anuradhapura - Omanthai railway line at a cost of US\$ 91.26 million was initiated in 2019 under the loan assistance under the Indian Credit Service Agreements. Although the old sleepers and rails of the railway line had to be
- Although the sleepers and rails removed from the old railway line were supposed to be taken to the nearest railway station and handed over, the railway line has been stacked on both sides due to practical
- Action should be taken to identify and safely store the usable sleepers and rails that have been removed and the rest should be disposed of according to regulations or used as needed.

removed in order to construct the new railway line and as per clause 7.1 of the contract agreement, those sleepers and rails had to be removed and taken to the nearest railway station and handed over, that requirement had not been fulfilled as per the agreement. The contractor had removed 159,626 sleeper blocks and 106,464 rails removed under the first and second phases and had piled them up at 1024 locations on both sides of the railway line from Maho to Omanthai. Without taking steps to identify and store those stocks that could be used further, the stocks had been piled up on both sides of the railway line and became overgrown, leading to the destruction of those stocks.

circumstances encountered during the implementation of the project..

- (ii) An estimate of USD 331,336.90, that is, Rs. 90,401,070, had been prepared as an additional work for the proposed tunnel to make it accessible for elephants, which was not included in the design phase during the construction of the Maho Omanthai Railway. A 10-meter-long and 5-meter-high tunnel is being constructed by excavating the railway line in the Galgamuwa area and its construction has not yet been completed. The train travels over a temporary bridge at that location and this situation has arisen because the construction of the tunnel for the Elephant Pass was not identified and planned at the initial stage and it had been implemented as a pilot project without even conducting a feasibility study. Since an existing road is being developed by the Maho-Omanthe project, feasibility study has not been conducted. However, the need for this elephant tunnel did not arise in the early stages of the project. The preparation of the project report was done around 2016 and the environmental conditions prevailing at that time may have affected it. The construction of the tunnel should be completed expeditiously.

feasibility study on the success of the tunnel.

(iii)	Although the signaling system for the section from Maho to Anuradhapura was removed from the scope of this contract in awarding the contract for the construction of this road and the contract had been awarded only for the construction of the road system, the signaling system thereof had not been initiated concurrently.2025 Although the train operation has started in April 2025 and since the construction of the signaling system had not yet begun, the trains are running without signals. Although the railway lines were designed with the aim of maintaining a speed of 100 km per hour, due to this problem, the desired objectives of the construction of the railway line could not be achieved by running trains at a speed of almost 60 km per hour.	Although the installation of the signaling system was initially planned to be carried out under this project itself, the department has pointed out that it would be more advantageous to carry out the signaling project separately later on and accordingly, plans have been made to carry out the signaling project separately. Cabinet approval has been obtained for this.	Actions should be taken to install an efficient and effective signaling system soon.
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4.2 Assets Management

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	Underutilized assets		
(i)	The Testing Room, built with Japanese aid for engine repair and testing, the Shot Blasting Room, built with Romanian aid for paint removal and the vertically mounted Press Machine, which are owned by the Railway Department, have been underutilized for many years at the Rathmalana Mechanical Yard.	This Testing Room and Shot Blasting Room have been in a non-functional condition for 35 years. The Press Machine installed in 2014 is used to remove/install the Shaft of Generators and Traction Motors. The Counter Weight machine part here is heavy, which reduces the durability of the Oil Seal. It has been advised to repair it.	Actions should be taken to utilize machines and plant efficiently and effectively.

- (ii) Five backhoe loaders value of Rs. 110,647,571 and a track motor car worth Rs. 970,660,980, which had been provided to the Railway Department under the Colombo Suburban Railway Project (CSRP), had been found to have defects upon import and had to be adjusted to suit the running conditions and put into operation.
- All loaders are being repaired to install a slightly larger bracket, provide compatible damaged tires, faulty existing hydraulic pipe machines, utilize them efficiently and malfunctioning parts, CAN effectively. Error and EEPROM ERROR errors, diesel leakage in the fuel tank, Emergency button, Sensor Failure and Limit switch failure errors.

(b) Leasing of railway reserved lands

- (i) The reserved lands of the Sri Lanka Railways Department in Badulla, Kotagala, Kurunegala, Matara, Peradeniya, Haputale, Anuradhapura, Sarasavi Uyana and Batticaloa were given to an institution on a lease basis for the operation of petroleum filling stations and an arrears of lease revenue of Rs. 125,830,155 had not been collected from those lease lands from the year 2014 to 31 December 2024. Actions had not been taken to enter into lease agreements for these 11 lease lands.
- Since the Railway Land should be leased based on a lease agreement and that valuation reports are required only for the land recover outstanding taxes. excluding the buildings which have been constructed thereon to make payments for bills related to railway reserved lands provided to an external institution for fuel storage, accordingly, the Valuation Department has been provided valuation reports.
- (ii) A sum of Rs. 96,432,907 in arrears of lease rent from the period from 1963 to 2024 from 27 railway reserved lands leased for the operation of petrol stations had been due as at 31 December, 2024.
- it was agreed to make a payment of Rs. 40,782,176 recover outstanding lease for 06 premises and lease amount. invoices have been prepared and provided for that purpose.
- (iii) It was not possible to obtain assessment reports as plans had not been prepared for 76 towers out of 177 communication towers installed on the lands of the Railway Department in 2021 even by 28 February 2025. Even though the towers have been actively used
- It is necessary to prepare field plans (plans) for the collection of fees for the towers and although the work is taking time due to the existing vacancies in the surveyor grade, the arrangements are being
- Actions should be taken to obtain Assessment reports for the lands where communication towers are installed, enter into agreements and collect the rent accordingly.

without charging fees since 2021, made. actions had not been taken to charge fees.

4.3 Losses and Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) As per the schedule as on 31 December 2024 relating to losses to be further recovered or written off or waived by the Railway Department, the value of 275 cases relating to losses less than Rs. 25,000 was Rs. 2,938,146 and the value of 386 cases relating to losses exceeding Rs. 25,000 was Rs. 401,539,735. Out of these, 243 in less than 10 years, 72 in between 10 and 20 years and 71 in more than 20 years had occurred and necessary actions had not been taken in this regard.	Answers have not been provided.	Action should be taken to collect recoverable losses and write off irrecoverable losses in accordance with the rules.
(b) Although the losses and damages of Rs. 69,150,012, which were incurred a sum of Rs.13,829,758 during the auction of goods within the period from 1991 to 1993, a sum of Rs.55,282,334 due to a fire at the port in 2013 and an amount of Rs.33,920 due to theft of goods in 2014, were shown in the stores advance balance account in relation to stock at the end of the year under review, necessary action had not been taken in this regard.	Answers have not been provided.	Actions should be taken to update the stock balance accurately as per the regulations.

4.4 Failure to provide answers to audit queries

Description of the audit query	Comments of the Accounting Officer	Recommendation
Out of the audit queries issued from the year 2023 to the end of the year under review, answers had not been provided for 20 audit queries even by 15 August 2025.	Steps will be taken to provide answers promptly in the future.	Actions should be taken to provide answers within the stipulated time.

4.5 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A project to lay Fiber Cables along the Sri Lanka Railways' lines for 20 kilometers from Slave Island Railway Station to Peralanda Railway Station on the Puttalam Line and 30 kilometers from Maradana Railway Station to Panagoda Railway Station on the Kelani Valley Line was initiated in 2024, joining as a partner in a joint project of the Sri Lanka Railways Department on the proposal of a private company. It was observed that a proper feasibility study covering the technical, environmental and financial aspects of this project had not been conducted, work had commenced before entering into an agreement with the company, the cable system on the existing railway line had been damaged during excavation work for laying cables under this project, the signal system had been damaged and the losses related to that damage had	The relevant Fiber cables for the above project, which is being carried out as an investment project with Hutch Company and the laying of those Fiber cables are being carried out in accordance with the departmental technical specifications and it is being carried out under the constant supervision of the Railway Department staff.	Actions should be taken to act as per an agreement subject to the relevant approvals, identify and repair the damage that has occurred and recover the damages.

not been assessed and recovered from the relevant institution to date and although both parties had agreed to lay a 24-fiber-stated cable as per the draft agreement, a 48-fiber-stated cable had been used for this project.

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| <p>(b) 438 bell and light systems are in operation of which 27 have been converted to sign boards and there are 17 more systems that are not in operation. 20 bell and light systems are no longer in operation on the Puttalam Road and the Coastal Road and 13 have been removed. Although an agreement had been entered into with an institution in 2023 to install the centralized monitoring system for the Bell and Light system, it was canceled on 4 January 2024 due to non-submission of the performance bond and a re-procurement was carried out and an agreement was entered into with another company for Rs. 78.78 million. A problematic situation had arisen with the company due to not providing the company with details of the locations where the 200 bells and lights had been installed.</p> | <p>Since it is difficult to maintain these systems without a centralized monitoring system, re-procurement arrangements have been made to obtain a centralized monitoring system. 29 systems were temporarily converted into signboards to reduce the maintenance burden and in order to prevent the cases where the public confidence is fallen when work is delayed and error corrections are not carried out without a centralized monitoring system.</p> | <p>Actions should be taken to ensure that the bell and light system is operated efficiently and effectively.</p> |
| <p>(c) A set of proposals has been prepared to empower the Information Technology Division of the Railway Department and it had been proposed to develop software for the existing Railway Department Seat Reservation System, E-Warrant System, Property Management System, Remis System and the system for entering data queried under the</p> | <p>Even though Data entry has been provided to officers in the relevant departments of 11 out of 14 systems, the slow nature of system updates has occurred due to lack of internet and computer resources.</p> | <p>Necessary actions should be taken to improve the performance of the IT sector.</p> |

Right to Information Act. Although the set of proposals had been made under 04 areas, namely, development of system software applications in the initial stages of 14 branches related to public relations, meeting the human resource needs of the IT sector, obtaining service facilities including buildings, and providing local and foreign training for staff, they had not been implemented. This was mainly due to the fact that only 01 Information and Communication Technology Officer, 01 Development Officer and 12 Information and Communication Technology Assistant Officers were currently engaged in the service of the IT sector.

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| <p>(d) According to the Austrian-funded EUR 16,600,000 project to construct and replace the old Kelaniya railway bridge on a turnkey basis, the feasibility study report conducted by the University of Peradeniya in 2002 had reported that the bridge could be used until 2022. Although it had been stated that the bridge should be removed in the next year or two, neither the Railways Department nor the Ministry of Transport had made any prior preparations regarding the measures to be taken for this and any feasibility study had not been conducted again.</p> | <p>Answers have not been provided.</p> | <p>A feasibility study should be conducted and consideration should be given to running trains based on the condition of the railway line and the attention should be paid to building a new bridge as needed.</p> |
| <p>(e) Stores Advance Account</p> | | |
| <p>(i) Although a sum of Rs. 47,116,021 as late fees and bank interest had been paid to various institutions</p> | <p>Actions will be taken to identify those responsible for the damages and losses</p> | <p>Action should be taken to recover payments in the form of late fees and bank</p> |

from the year 2020 to the end of the year under review due to the failure to efficiently complete clearance procedures when importing goods, those had not been recovered.	incurred and recover the damages and losses in accordance with F.R.104(1). It is inevitable that the Shipping Corporation will have to pay late fees due to the delay in receiving imprest for the release of goods through People's Bank regarding the opening of letters of credit to prevent such situations from arising. The exchange rate crisis that occurred in 2020 - 2021 has caused this. Since this information is many years old, it is difficult to get access to the information.
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| <p>(ii)</p> | <p>Over the past 20 years, the closing stock in the stores ranged from Rs. 2,098 to 9,075 million from 2005 to 2024 and the stock in the stores had continuously increased due to the issuance of less than the purchase amount.</p> | <p>The reason for this is the delay in providing the suitability reports from the sub-departments regarding the purchased goods within the relevant year. Steps will be taken to properly identify the needs of the relevant sub-departments, purchase the goods and issue them to those sub-departments in a formal manner in the future.</p> | <p>Actions should be taken to identify the Stock needs and make stock purchases.</p> |
| <p>(iii)</p> | <p>A large amount of the closing stock balance had become unused stock items due to the purchase of stocks without identifying the stock requirements. Out of the stock balance at the end of the year under review, stock items worth</p> | <p>Actions will be taken to properly identify the needs of sub-departments, purchase goods, and issue them to those sub-departments in a formal manner.</p> | <p>Actions should be taken to identify the Stock needs and make stock purchases accordingly</p> |

Rs. 246,765,997 had not been used for any purpose for 08 years since 2016.

(iv) Annual stock verification had not been conducted for the 55 locations that were to be verified in the Railway Superintendent's Sub-Department in relation to the Stores Advance Account for the year under review.	The Railway Labour Inspectorate Sub-Department has submitted the verification reports for 19 locations that need to be verified to the Auditor General. I will note down to take actions in the future regarding the remaining 39 locations that need to be verified.	Annual verification of goods should be conducted as per regulations.
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5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The approved number of employees at the senior level was 210 and since the actual number of employees was 128, there were 82 vacant employees. This was 39 percent as a percentage of the approved cadre at that level.	The Cabinet Paper seeking approval to provide officers for 22 vacancies in the Department has been forwarded to the Prime Minister's Committee on 21 May 2025 to fill 05 posts on an open basis and 12 vacancies on a limited basis.	Action should be taken to fill essential vacancies subject to approvals.
(b) Further, the number of approved cadre at the tertiary level was 450 and since the actual cadre was 67, there were 383 vacant employees. This was a very high figure of 85 percent as the percentage of approved cadre.	Promotions have been made to 35 senior station master posts.	Actions should be taken to fill essential vacancies subject to approvals.
(c) The approved cadre at the secondary level was 11,339 and since the actual number of employees was 5,928, there were 5411 vacant employees at that	291 posts have been promoted out of 5411 vacancies. As per the approval given to fill the vacancies in Railway	Actions should be taken to fill essential vacancies subject to approvals.

level . This was 47 percent as a percentage of the approved cadre at that level. Security posts, 95 have been recruited on an open basis.

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| (d) | Among the vacancies, 33 vacancies in the Engineering Service, 265 vacancies including Supervisory Manager and District Inspector, and 3,100 vacancies representing tertiary and secondary management levels in the Railway Driver Service, Railway Technology Manager Service, Railway Station Master, etc., had an adverse effect on the daily operations of the Railway Service. | Answers have not been provided. | Action should be taken to fill essential vacancies subject to approvals. |
| (e) | There were 4,043 approved railway work aid posts at the primary level and out of 5,517 employees employed for that post, there was a surplus of 1,474 Railway work aids. | Answers have not been provided. | Actions should be taken to fill vacancies based on the qualifications of surplus employees and obtain productive service from employees. |