



The Democratic Socialist Republic of Sri Lanka
First Session of the Tenth Parliament

Parliamentary Series No 491

Eighth Report

Of the

Committee on Public Accounts

(Examination relating to Sri Lanka Railways, conducted on the dates
of 09.05.2025, 05.06. 2025 and 27.11.2025)

Presented by Hon. Kabir Hashim, M.P,
Chair of the Committee on Public Accounts, on 6th of March, 2026

*Ordered to be printed by Parliament of Sri Lanka on the 6th of March,
2026*

Submission of observations and actions taken on the reports of the Committee on Public Accounts, tabled in Parliament.

Standing Order Number 119 (4) of the Parliament of the Democratic Socialist Republic of Sri Lanka states as follows:-

“A report of the Committee on Public Accounts, once tabled in Parliament shall be referred to the Minister in charge of the subject of Finance and the Ministers in charge of the institutions and the respective Minister shall submit the observations and actions taken in that regard to Parliament within eight weeks, and also submit a statement of actions proposed to be taken with regard to the observations or if the Minister is of the view that particular recommendation may not be fulfilled, the Minister shall explain the reasons in writing and indicate alternative actions, the Minister proposes to take to ensure the proper usage of public finance. If the Committee requires, the Committee may invite the relevant Minister to explain the position in person and to answer the questions that arise as to such matters within eight weeks. When Parliament so decides, the report concerned may be referred to the Attorney General for his observations and necessary action.”

First Session of the Tenth Parliament

Composition of the Committee on Public Accounts

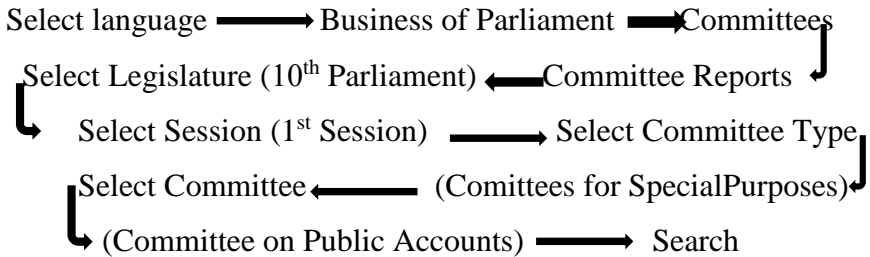
1. Hon. Kabir Hashim, M.P, (Chair)
2. Hon. Anton Jayakody, M.P.
3. Hon. Major General (Rtd.) Aruna Jayasekera, M.P.
4. Hon. Sugath Thilakaratne, M.P.
5. Hon. Sundaralingam Pradeep, M.P.
6. Hon. Nalin Hewage, M.P.
7. Hon. Aravinda Senarath, M.P.
8. Hon. Dinindu Saman Hennayake, M.P.
9. Hon. (Dr.) M.L.A.M. Hizbullah, M.P.
10. Hon. Rohitha Abeygunawardhana, M.P.
11. Hon. J.C. Alawathuwala, M.P.
12. Hon. Chamara Sampath Dasanayake, M.P.
13. Hon. Hector Appuhamy, M.P.
14. Hon. (Dr.) Kavinda Heshan Jayawardhana, M.P.
15. Hon. Kaveenthiran Kodeeswaran, M.P.
16. Hon.(Mrs.)Sagarika Athauda,Attorney at Law, M.P.
17. Hon. Manjula Suraweera Arachchi, M.P.
18. Hon. K. Ilankumaran, M.P.
19. Hon. (Mrs.) Oshani Umanga, M.P.
20. Hon. Ajantha Gammeddage, M.P.
21. Hon. Ruwanthilaka Jayakody, M.P.
22. Hon.(Mrs.)Thushari Jayasingha,Attorney at Law, M.P.
23. Hon. T.K. Jayasundara, M.P.
24. Hon. M.A.M. Thahir, M.P.
25. Hon. Susantha Kumara Nawarathna, M.P.
26. Hon. Lal Premanath, M.P.
27. Hon. Chanaka Madugoda, M.P.
28. Hon. Sunil Rathnasiri, M.P.
29. Hon. Chandana Sooriyaarachchi, M.P.
30. Hon. (Dr.) Janaka Senarathna, M.P.

The present Staff of the Committee Secretariat

- Mr. Sanath Wijegunawardhana - Secretary to the Committee/
Assistant Director (Administration)
- Mrs. Chamila Rupasinghe – Principal Officer
- Mrs. R.A.D.N. Geyowanee - Deputy Principal Officer
- Mr. J.T.L.P. Sameera - Assistant Principal Officer
- Miss. G.D.J.H. Ayeshmanthi - Parliamentary Officer
- Mrs. G.M. Kallegoda - Parliamentary Officer
- Miss. M.L.A.D.M. Kumari - Parliamentary Officer

Committee Reports

The Reports of the Committee on Public Accounts can be downloaded through the Website, www.parliament.lk, under the following path.



Contents

	Page
A. Chairman's Note.....	6
B. Concise Report	8
C. Information in relation to the main issues identified during the examination,	
a. The matters discussed	
b. The explanations by the Chief Accounting Officer (CAO)/ Accounting Officer (AO)	
c. The observations of the Committee	
d. The recommendations of the Committee	
e. The reports to the Committee on the progress of the implementation of recommendations	9

Chair's Note

In accordance with the provisions of Standing Order 119(3), I present to Parliament, the Report of the Committee on Public Accounts, which includes the examination conducted by the Committee during the First Session of the Tenth Parliament regarding Sri Lanka Railways, on 09.05.2025, 05.06.2025, and 27.11.2025.

The prime function of the Committee on Public Accounts, which functions as a Financial Oversight Committee in accordance with the powers of public finance control vested in the Parliament of Sri Lanka by Article 148 of the Constitution of the Democratic Socialist Republic of Sri Lanka and the powers provided for by the Standing Orders of Parliament, is to examine, with the support of the Auditor general, the accounts showing the appropriation of funds granted by Parliament for public expenditure and any other accounts placed before Parliament which Committee on Public Accounts may deem appropriate.

The post-process called auditing makes a significant contribution to the Committee in fulfilling that task. It also guides institutions to avoid past shortcomings in the future in order to proactively prevent inefficiencies while providing solutions to identified weaknesses through an accurate audit.

The reason for urgently submitting a report to Parliament regarding this selected institution alone is that the Committee observed numerous irregularities identified regarding the Sri Lanka Railways, during these investigations.

It is the responsibility of all public officials to take appropriate steps to prevent financial irregularities and corruption in public institutions in order to ensure a sound national economy. Furthermore, Chief Accounting Officers of institutions summoned before the Committee are responsible for promptly implementing the Committee's recommendations, taking

appropriate disciplinary action, and following up on all decisions, to ensure that the relevant recommendations and agreements are effectively carried out.

The success of the Public Accounts Committee depends on the active participation of all stakeholders. I therefore extend my gratitude to the members and chairpersons who served on previous Public Accounts Committees, as well as to the current members who have given me their unequivocal support, irrespective of party affiliations, in carrying out the Committee's work successfully.

Furthermore, I would like to state that the Committee wishes to express its gratitude and appreciation to the Auditor General and his staff, the officials of the Treasury, the Secretary-General of Parliament, and all officials of the Office of the Committee on Public Accounts of Parliament for their support in enabling the Committee to carry out its work efficiently despite various challenges.

Kabir Hashim
Chair Committee on Public Accounts

Concise Report

The Committee on Public Accounts of the First Session of the Tenth Parliament considered the Auditor General's Report on the Sri Lanka Railways for the financial year 2023 and examined the current performance of Sri Lanka Railways on the dates of 09.05.2025, 05.06.2025, and 27.11.2025. This report presents the matters discussed at the committee meetings, the explanations provided by the Chief Accounting Officer (CAO) and the Accounting Officer (AO), and the recommendations made by the Committee.

Institutions summoned -

- Sri Lanka Railways

Investigation assistance: National Audit Office

These investigations are based on the audit observations outlined in the above-mentioned audit report. Additional information on the matters discussed during the committee meetings is also included in the report. The audit report can be downloaded using the links below.

Year 2023:-

https://auditorgeneral.gov.lk/web/images/audit-reports/upload/2023/min_dep/1-xxi/Head306Department-of-SriLanka-RailwaysS.pdf

In relation to the main issues identified during the examination, information on,

- a. The matters discussed
 - b. The explanations by the Chief Accounting Officer (CAO)/ Accounting Officer (AO)
 - c. The observations of the Committee
 - d. The decisions and recommendations of the Committee
 - e. Reporting to the Committee on the progress of the implementation of recommendations
- Chief Accounting Officer (CAO) of the Sri Lanka Railways:-
Secretary, Ministry of Transport, Highways and Urban Development
- Accounting Officer (AO) of the Sri Lanka Railways:-
General Manager, Sri Lanka Railways

01) Conducting Audit and Management Committee meetings.

❖ Date of examination - 09.05.2025

a. Matters discussed (as per the Auditor General's observations)

The audit pointed out that the Committee had not acted as specified, although at least 04 Audit and Management Committee meetings should be held per year, as per the paragraph 5.3 of the Management Audit Internal Audit

Guidelines No. DMA/01/2019, dated 12th January 2019 of the Management Audit Department, and that it is depicted in the table below.

Table 1: Number of Audit and Management Committee Meetings held in each year

Year	Number of Meetings, held
2021	01
2022	02
2023	02
2024	02
2025	01

The audit pointed out that the Sri Lanka Railways had missed the opportunity to discuss all issues, including issues raised during the audit, and to correct departmental procedures through the Audit and Management Committee meetings, due to the failure to hold those committee meetings properly.

b. Explanations by the Chief Accounting Officer (CAO)/Accounting Officer (AO)

The Minister stated that it is expected that the Audit and Management Committees will be properly held in 2025 and that departmental procedures will be corrected through them.

c. Committee Observations

The Committee observed that the Audit and Management Committee meetings had not been held due to several factors, including the appointment of several Railway General Managers within a short period, government decisions made in response to the prevailing pandemic situation in the country, and trade union actions by Railway Department employees. It was also noted that the then governing authority of the Railway Department had failed to provide a clear and specific response to this issue.

d. Recommendations of the Committee

1. The Committee directed the CAO/AO to hold regular Audit and Management Committee meetings and take steps to strengthen internal control by rectifying departmental procedures, and
2. the Committee decided to call the former Railway General Managers and Ministry Secretaries who were in service during this period to the next meeting and inquire into the reasons for the delays and recommended the Secretary of the Committee to obtain the necessary information and summon those officers before the Committee and the CAO/AO agreed to this.

e. Reporting to the Committee on the progress of implementing the recommendations

- The Railway Department has submitted the report relating to the letter MT/04/14/03/01-2025 dated 04.06. 2025, stating
- That according to the Management Audit Department's Internal Audit Guidelines No.DMA/01/2019, dated 12.01.2019, the Audit Management Committee should consist of the General Manager of Railways (Chairman), the Chief Internal Auditor of the Department (Convenor), the Chief Financial Officer of the Department (Member), a representative of the Treasury Audit and Management Department (Member), the Assistant Auditor General or the Superintendent of Audit (Observer) as a representative of the Auditor General, and the Internal Auditor of the Ministry of Transport (Observer).
- That it is essential that the General Manager of Railways (Chairman), the Auditor General's representative (Observer), and the Treasury representative (Member) participate in decision-making on the matters under discussion. In their absence, other officials are unable to effectively deliberate on the issues or make decisions.
- That a date for the Audit and Management Committee meeting, is decided by a telephone discussion ensuring the possibility for

the Committee Chairman, the Auditor General's representative and the Treasury representative to attend , the date is usually decided about 14 days in advance and that the meeting will have to be postponed to a later date, if those officers are unable to attend due to some specific issues that arise later, and that sometimes it is necessary to cancel the meeting, since it is very difficult to reschedule them.

- That the Director General of the Audit Management Department issued instructions in the circular No. DMA/AMC/M/2021/2 dated 06.09. 2021 that the Audit Management Committee would be exempted from holding meetings until 30 September 2021 due to the spread of the third wave of Covid-19 with this adverse situation, , and that instructions were received to hold a meeting in the last quarter of 2021. Accordingly, one meeting was held on 14.12.2021
- That two meetings were held on 05.12. 2023 and 16.11.2023 in the year 2023, and that the remaining meetings could not be held, and
- That two meetings were held on 07.10.2024 and 16.10.2024 in the year 2024, and the Railway Department has submitted the report related to the letter MT/04/14/03/01-2025 and dated 2025.06.04, informing that the meeting scheduled for

26.12.2024 could not be held on that day as it fell on the day the new Railway General Manager assumed duties.

- The Auditor General pointed out that at least 04 meetings should be held, one meeting per quarter, as per Section 2.2 (i) of the Management Audit Guidelines, and that 03 committee meetings had been held for the year 2025.

❖ **Date of examination – 05.06.2025.**

a. Matters discussed (as per the Auditor General's observations)

The Audit Committee informed that the CAO/AO agreed with the recommendation made by the Committee that inquiries should be made from the previous Railway General Managers and former Ministry Secretaries regarding the non-compliance with the requirement to conduct at least 04 Audit and Management Committee meetings per year.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The officials of the Railway Department stated that all the four Audit and Management Committee meetings were held in 2019, and that the Department failed to hold Audit and Management Committee meetings properly in 2020 and 2021 due to the ongoing Covid pandemic situation, and that the holding of the

relevant meetings was restricted in accordance with the Management Circular No. DMA/AMC/M/2020/5-4 dated 2020.06.02 of the Management Audit Department.

c. Observations of the Committee

The Committee observed the Department’s inability to establish a more productive service environment by correcting the shortcomings pointed out by the audit inquiries, due to the non-holding of Audit and Management Committee meetings, has made a direct impact on the inefficiency of the Railway Department.

d. Committee Recommendations

The Committee did not make any recommendations on this audit matter today.

e. Reporting to the Committee on the progress of implementing the recommendations.

Not applicable.

02) Delayed tabling of annual reports in Parliament

❖ Date of examination – 09.052025

a. Matters discussed (as per the Auditor General's observations)

In accordance with paragraph 12.1 of Public Finance Circular No. 02/2020 and dated 28 August 2020, although the Department is required to prepare annual performance reports within 150 days from the end of the accounting year and submit them to Parliament for tabling, the annual reports for the years 2020, 2021, 2022 and 2023 had been submitted for tabling in Parliament with the following delays,

Table 2: Dates of submission of annual reports for each year

year	Date on which the reports were submitted for tabling
2020	2023/05/31
2021	2023/05/31
2022	2023/12/12
2023	2025/01/22
2024	2025/08/19

b. Clarifications by the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The Committee did not receive a substantial clarification from the CAO/AO on this matter.

c. Observations of the Committee

The Committee observed that Sri Lanka Railways has been very inefficient in submitting reports to Parliament.

d. Recommendations of the Committee

1. The Committee recommended to the AO of Sri Lanka Railways to submit the annual reports without delay in future.
2. The Committee decided to call the former Railway General Managers and Ministry Secretaries who were in service during this period to the next meeting and inquire into the reasons for the delays and recommended the Secretary of the Committee to obtain the necessary information and summon those officers before the Committee.

e. Reporting to the Committee on the progress of implementing the recommendations.

- The Department of Railways has submitted the report relevant to the letter MT/04/14/03/01-2025 and dated 04.06. 2025, stating that
- Travel restrictions were imposed due to the COVID-19 situation in 2020 and 2021, which severely limited the number of staff who could come to the offices, and delays occurred in obtaining information for the performance report, due to the said situation

and it was only in 2022 that the performance reports for the years 2020 and 2021 were prepared,

- The performance report for the year 2023 has been tabled in Parliament with a delay, due to the delay in obtaining information from 09 sub-departments due to the existing staff shortage, and
- The draft performance report for the year 2024 has been submitted to the Secretary of the Ministry of Transport, Highways, Ports and Civil Aviation for approval on 02.06.2025, and the performance report for the year 2024 will be tabled before 30.06.2025, in accordance with the Public Finance Circular 2/2025 issued on 30.05.2025 .

03) Failure to respond to audit queries

❖ Date of examination - 09.05. 2025

a. Matters discussed (as per the Auditor General's observations)

The audit pointed out that there are 27 audit queries issued from 2022 to 2024 that have not been answered.

b. Explanations by the Chief Accounting Officer (CAO)/Accounting Officer (AO)

The Chief Financial Officer stated that there have been delays in responding to audit queries due to the existence of 9 sub-departments in the Railways Department and the shortage of

staff. The officials further stated that 36 queries have been responded to so far, out of the 51 audit queries issued to the Railways Department in 2024.

c. Observations of the Committee

The Committee observed that the departmental procedures could be improved through minimization of audit inquiries and through audit and management committee meetings and that it would be appropriate to call the responsible officials including former Railway General Managers, Ministry Secretaries, who were in service during this period, to the next meeting and inquire about the reasons for the delays.

d. Recommendations of the Committee

1. The Committee recommended to the General Manager of Railways (AO) to take steps to rectify the departmental procedures through Audit and Management Committee meetings to minimize audit queries.
2. The Committee decided to call the responsible officers including the former General Managers of Railways and Secretaries of the Ministry who were in service during this period to the next meeting and inquire into the reasons for the delays and recommended to the Secretary of the Committee to obtain the necessary information and summon those officers before the Committee.

e. Reporting to the Committee on the progress of implementing the recommendations

- The Committee which met on 05th June 2025, summoned the former Railway General Managers, Ministry Secretaries and other responsible officials who were in service between 2022 and 2024 and inquired about the reasons for the delays. It was revealed before the Committee that the Audit and Management Committee meetings had to be postponed/cancelled due to the reasons like the decisions taken by the government due to the COVID-19 pandemic that was spreading all over the world at that time and the protests of railway employees.
- The following has been mentioned in the report relating to the letter dated M/04/14/03/01-2025 and 04.06.2025 and submitted to the Committee;
- There were 67 audit inquiries relating to the year 2022, all of which have been answered,
- There were 53 audit inquiries relating to the year 2023, all of which have been answered,
- There were 51 audit inquiries relating to the year 2024, 41 of which have been answered, and 10 of which have to be answered,
- There were 25 audit inquiries relating to the year 2025, 7 of which have been answered, and 18 of which are yet to be answered.

❖ **Date of examination- 05.06.2025**

a. Matters discussed (as per the Auditor General's observations)

The Committee pointed out that the number of unanswered audit queries between 2022 and 2024 were 27.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

Sri Lanka Railways was of the opinion that it was not possible to hold the Audit and Management Committee meetings properly, due to the prevailing circumstances in the country and various decisions taken by the government.

c. Observations of the Committee

The Committee was of the opinion that the main objective of holding Audit and Management Committee meetings should be to create a more productive working environment by correcting the shortcomings pointed out by audit inquiries.

d. Committee Recommendations

The Committee has not made any recommendations on this audit matter today.

e. Reporting to the Committee on the progress of implementing the recommendations

Not applicable.

04) Failure to obtain approval for the annual procurement plan, failure to provide answers to audit inquiries.

❖ **Date of examination - 09.05.2025**

a. Matters discussed (as per the Auditor General's observations)

The audit pointed out that the relevant approval has not been obtained for the procurement plan for the year 2024, although the approval should be obtained for the procurement plan from the Chief Accounting Officer as per paragraph 04 of the Public Finance Circular No. 02/2020 and dated 28 August 2020.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The Accounting Officer stated that the purchases for the Railways Department have been made based on the “Annual Requirement List” and that the proposed procurement plan for the year 2025 has been submitted to the Ministry of Transport, Highways and Urban Development for approval.

c. Observations of the Committee

The Committee strongly criticized the fact that Sri Lanka Railways did not implement the Procurement Guidelines issued by the government in 2006 until 2024.

Officials stated that no supervision is carried out by the Department of Public Finance, since the supervision of the procurement plan has been entrusted to the Procurement Commission.

d. Recommendations of the Committee

1. The Committee decided to summon the former Railway General Managers, Ministry Secretaries and other responsible officials who were in service during the relevant period to the next meeting and inquire into the reasons in relation to this matter and recommended to the Secretary of the Committee to obtain the necessary information and summon those officials before the Committee.

2. The Committee recommended to the Minister to take steps to receive the procurement plan for the year 2025 to the Ministry of Finance, Planning and Economic Development within a week by 16.05.2025.

e. Reporting to the Committee on the progress of implementing the recommendations

- The proposed procurement plan for the year 2025 has been submitted to the Ministry of Transport, Highways and Urban Development and that has been presented to the Committee through Annexure 05 of the report relating to the letter M/04/14/03/01-2025 dated 04.06.2025

❖ **Date of examination – 05.06. 2025**

a. Matters discussed (as per the Auditor General's observations)

The audit pointed out that the approval for the procurement plans for the years 2024 and 2025 has not been arranged.

b. Clarifications provided by the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The Accounting Officer (AO) stated that the submission of the Procurement Plan for the year 2024 to the Chief Accounting Officer had been delayed, and further informed that the Procurement Plan for the year 2025 has now been forwarded to the Ministry.

c. Observations of the Committee

The Committee observed that all government institutions are required to obtain the approval for their respective Procurement

Plans from the Chief Accounting Officer on or before 10th December of each year, and those copies thereof should be forwarded to the Department of Public Finance, the Procurement Commission, and the Auditor General. Further, the Committee observed that certain highly-expensive machinery and equipment procured by the Department remained underutilized due to drawbacks identified in the procurement process.

d. Recommendations of the Committee

The Committee expressed concerns regarding the underutilization of highly-expensive machinery, plant, and equipment procured by the Department due to drawbacks in the procurement process, and recommended that the Accounting Officer (AO) of the Department conduct a comprehensive feasibility review of such procurements made since 2012 and submit a report to the Committee confirming whether the prescribed procurement procedures had been duly followed.

e. Reporting to the Committee on the status of implementation of the recommendations.

It was reported to the Committee, under Annexures 14, 15, 16, 17, and 18 of the report submitted vide letter No. MT/04/14/03/01-2025 dated 13.11.2025, that nearly 58 major machines had been procured for the Ratmalana Main Mechanical Sub-Department since 2012. It was further reported

that five (05) items of machinery/equipment, namely the Vertical Hydraulic Wheel 500T, Hydraulic Wheel Press, Universal Dynamic Balancing Machine, Injector Pump Testing Machine, and Common Rail Injector Tester, were found to be underutilized.

05) Action Plan

❖ Date of Investigation - 09.05.2025

a. Matters Discussed (as per the Auditor General's observations)

The Annual Action Plan for the forthcoming year should be prepared prior to 15th December of the current year and submitted to the Chief Accounting Officer (CAO) for approval, in terms of paragraph 03 of Public Finance Circular No. 02/2020 dated 28.08.2020. However, the audit observed that, the Department of Railways had submitted the Annual Action Plans for 2023 and 2024 with delays, on 16.01.2023 and 08.04.2024 respectively.

b. Clarifications provided by the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The Chief Accounting Officer (CAO) confirmed that the Annual Action Plan for 2025 submitted by the Department had been received by the Ministry of Transport, Highways and Urban Development.

c. Observations of the Committee

Not relevant.

d. Recommendations of the Committee

No recommendation was made by the Committee on this audit matter.

e. Reporting to the Committee on the status of implementation of the recommendations.

Not relevant.

06) Matter relating to old sleepers and rails removed for the construction of the new railway line being left unused and deteriorated on both sides of the railway line from Mahawa to Omanthai.

❖ Date of Investigation - 09.05.2025

a. Matters Discussed (as per the Auditor General's observations)

With regard to the Mahawa–Omanthai Railway Construction Project, commenced in 2019 for the completion of the Mahawa–Anuradhapura–Omanthai railway line at a cost of USD 91.26 million under the Indian Credit Line Agreement, it was observed that old sleepers and rails were required to be removed to facilitate the new construction. However, although Clause 7.1 of the Contract Agreement stipulates that such materials should be

removed, transported to the nearest railway station, and handed over, it was noted that the said requirement had not been complied with.

The audit pointed out that field inspections revealed that 159,626 sleepers and 106,464 rails removed by the contractor under Phase I and Phase II were stacked at 1,024 locations along both sides of the railway line between Mahawa and Omanthai. It was further noted that these materials had remained unutilized and were found to be deteriorating even as at 31 March 2025.

b. Clarifications provided by the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The officials of the Railway Department informed that, following the removal of approximately 65 kilometres of track in a single line, the old sleepers and rails were necessarily piled up due to constraints in storage capacity, particularly the lack of sufficient land at adjacent railway station. It was further stated that usable materials had already been utilised for construction activities, and that tenders would be called for the sale of the remaining stock. They further stated that this delay has occurred due to the priority given to passenger trains and due to the shortage of service trains.

c. Observations of the Committee

The Committee observed that the primary cause of the issue was the inadequate preparation of the project proposal and the execution of works without a proper plan.

d. Recommendations of the Committee

The Committee recommended the AO of the Department to submit a report together with a plan for the classification and removal of sleepers and rails from the relevant locations within two (02) weeks.

e. Reporting to the Committee on the status of implementation of the recommendations.

As the Committee has been informed, vide letter No. PS/LEG/COPA/02/DEPT(10)04/2025, Volume II, dated 04.06.2025, submitted by the General Manager of Railways and the Secretary to the Ministry of Transport, Highways and Urban Development, the details of the quantities tendered for transportation to the relevant Superintending Engineer Divisions, following the identification of usable sleepers, had been furnished under Annexure 03.

❖ **Date of Examination - 27.11.2025**

a. Matters Discussed (as per the Auditor General's observations)

The audit observed the following.

- I. As at 14 November 2025, no plan had been submitted to the Committee.
- II. It was observed that no classification of sleepers and rails had been carried out.
- III. It was noted that, out of the total quantity, only 24,771 sleepers had been transported to the relevant locations, and that 58,217 sleepers were yet to be transported.
- IV. It was observed that, although 62,389 feet of rails had been transported to the relevant road sections up to the date of review, a further 203,199 feet remained to be transported.
- V. The audit observed a discrepancy between the records of the Consultancy firm of the Mahawa–Omanthai Project and those of the Department, whereby 290,928 feet of rails were reported as having been handed over, whereas the Department's records reflected only 265,588 feet, indicating a shortfall of 25,340 feet.

b. Clarifications provided by the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The Chief Engineer (Roads and Industries) informed the Committee that, as the sleepers continued to remain stacked on both sides of the railway track, difficulties had arisen in formulating an accurate transportation plan. It was further explained that these materials could only be transported by a service train, and that, the completion of the transportation process would require a considerable period of time due to the limited capacity of only transporting approximately 400 sleepers or 300 rails at a time. It was further stated by the Chief Engineer (Roads and Industries) that operational difficulties had arisen in carrying out these activities due to the regular train operating schedule.

The Project Director stated that, the contractor is required to transport the rails and sleepers removed from the project to the nearest railway station in terms of Clause 7 of the Agreement relating to the Omanthai Project. It was further stated that, in the event of any change in the designated nearest railway station, the project proponent is required to make the relevant payment to the Department of Railways.

However, the Project Director informed the Committee that, owing to the delayed commencement of the project, the absence

of a significant interval between Phase I and Phase II, and the immediate operation of the railway line upon completion of the work, an agreement had been reached between the Department and the relevant party not to effect the said payment. It was further stated that action had been initiated to recover the financial benefit gained by the other party due to the non-transportation of sleepers and rails through deductions from the subsequent bill payable to the respective company.

The officials stated that serviceable sleepers and rails would be identified, classified, and utilized for the maintenance of other railway lines, while unserviceable materials would be released to government institutions, including the Army, Navy, and the Bogala Graphite Lanka PLC subject to recommendations of the relevant committee and the Ministry of Industries.

c. Observations of the Committee

The Committee observed that, as financial assistance from the EXIM Bank of India would no longer be available for the commencement of the remaining work, a special committee should be appointed, subject to Cabinet approval, to examine the possibility of financing the project through government funds. The Committee further recommended that the said committee be appointed within one (01) week, Cabinet approval be obtained, and the remaining work be commenced expeditiously. The

Committee noted with dissatisfaction that, notwithstanding the deliberations and recommendations made by previous Committees on this matter, the relevant report has not yet been submitted.

d. Recommendations of the Committee

The Chief Accounting Officer (CAO) / Accounting Officer (AO) concurred with the Committee to inform the Committee, within three (03) weeks (by 24.12.2025), of the progress made in the disposal of sleepers and rails and the timeframe for submitting a comprehensive plan for their proper and uninterrupted classification and placement.

e. Reporting to the Committee on the status of implementation of the recommendations.

The following facts were submitted to the Committee vide letter No. MT/04/14/03/01-2025 (Vol. II) dated 16.02.2026.

- During the construction of the new railway line between Mahawa and Anuradhapura, 111,195.67 meters of 80-pound type rails, 22,474.63 meters of 90-pound type rails and 85,719 concrete sleepers were removed from the Mahawa - Anuradhapura railway section,

- As of today, a significant portion of the above removed materials have been disposed of for development and repairing of other road sections, and currently only 72,330.42 meters of 80-pound type rails, 3,672.89 meters of 90-pound type rails and 55,041 concrete sleepers remain to be disposed of,

- A report on the repair of the railway bridges, the completion of the temporary repair of the railway sections after the Ditwa cyclone and the use of the removed sections for the construction of the tunnel bridge to be constructed in the Kasikote area for the passage of elephants has been submitted to the Committee with the concerned letter mentioned above.

- An extension of time has been requested vide letter MT/04/14/03/01-2025 and dated 17.12.2025 to submit the detailed report and the relevant permission has been granted until 30.06.2026 vide letter PS/LEG/COPA/02/Dept/(10)/04 and dated 05.01.2026.

07) Matters relating to the signalling system on the Mahawa–Anuradhapura railway section.

❖ Date of Examination – 09-05-2025

a. Matters Discussed (as per the Auditor General's observations)

The audit observed that, although the signalling system for the Mahawa–Anuradhapura railway section was excluded from the scope of the contract, which was awarded solely for the construction of the track, the installation of the signalling system had not been undertaken in parallel. It was further noted that train operations commenced in April 2025 without the signalling system being in place. According to the audit, consequently, despite the designed speed of 100 km/h, trains were operating at around 60 km/h, and thus the intended objectives of the railway project had not been achieved.

b. Clarifications provided by the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The Project Director of the Mahawa–Omanthai Railway Construction Project informed the Committee that steps had been taken to commence the project of installing the signalling system for the said railway section in May 2025, the month in which the Committee convened. It was also stated that a basic signalling system had been introduced at Senarathgama, Thalawa, and

Galgamuwa railway stations through the intervention of the Signal and Telecommunication Department.

c. Observations of the Committee

The Committee observed that the cost has increased due to the fact that the signalling system was not included in the initial plan for the construction of this road, and that initiating such projects without conducting a proper feasibility study has led to a problematic situation.

d. Recommendations of the Committee

No recommendation was made by the Committee on this audit matter.

e. Reporting to the Committee on the status of implementation of the recommendations

Not relevant.

08) Matters relating to Train-Wild Elephant Collisions

❖ Date of Examination – 09.05.2025

a. Matters Discussed (as per the Auditor General's observations)

Although surveys were conducted in collaboration with the Department of Wildlife from 11 to 15 October 2018 with a view

to minimizing wild elephant–train collisions, including studies of locations where such incidents had occurred and areas along the railway line frequented by wild elephants, it was observed that no adequate measures had been implemented to mitigate the risk of further collisions. As a result, wild elephant–train collisions have become a significant concern at present. The audit observed that 53 wild elephants had been killed and 17 injured over the five-year period from 2020 to 2024 as a result of such collisions.

b. Clarifications provided by the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The Project Director informed the Committee that 138 deaths of wild elephants due to train collisions had been reported over the past 25 years, and that elephant migration corridors were widely dispersed along the railway network. It was further stated that the situation had shown improvement during the implementation period of the project.

It was further stated that short-term measures including the use of new power sets to enable trains to stop within shorter distances, improving visibility along the railway track through selective clearing of vegetation on both sides, refurbishing and clearly displaying signage indicating elephant crossing points for train drivers, and involving train drivers in awareness programmes

conducted by the Department of Wildlife regarding elephant habitats and movement areas, had been taken to address the issue.

c. Observations of the Committee

The Committee observed that prompt and swift action should be taken to prevent such accidents.

d. Recommendations of the Committee

No recommendation was made by the Committee on this audit matter.

e. Reporting to the Committee on the status of implementation of the recommendations

Not relevant.

09) Recovery of arrears of revenue due to be recovered by the department

Date of Examination - 09.05.2025

a. Matters Discussed (as per the Auditor General's observations)

The audit observed that, as at 31 December 2024, outstanding revenue from Siam City Cement (Lanka) Limited in respect of the transportation of limestone by train amounted to Rs. 2,187,326. It was further noted that a total of Rs. 169,769,006 remained outstanding from 31 institutions for the transportation

of goods by train, of which Rs. 23,457,706 was due from 20 institutions relating to long-outstanding balances spanning a period of 07 to 44 years.

In addition, outstanding revenue from railway licences as at 31 December 2024 amounted to Rs. 1,256,596,206, while arrears relating to Railway Department warehouses, fixed canteens, advertisements, publicity, and small shops amounted to Rs. 519,930,236.

The audit further pointed out that, in respect of arrears relating to the year 2020, outstanding revenue from railway licences amounted to Rs. 848,334,880, other outstanding revenue amounted to Rs. 556,205,725, and outstanding rent relating to three (03) shops and warehouses amounted to Rs. 36,790,032, totalling Rs. 1,582,114,988.

b. Clarifications provided by the Chief Accounting Officer (CAO) / Accounting Officer (AO).

The Committee was informed that, pursuant to a recommendation of the Committee on Public Accounts (COPA) in 2023, arrears recovery is being carried out via a cross-entry mechanism. It was also stated that Rs. 3,283 million, representing 98 per cent of arrears relating to 2,641 of 2,845 licences for the year 2023, had been recovered in 2024. It was further stated by the Chief Financial Officer that the recovery of

outstanding licence fees had been limited in earlier years due to inadequate financial allocations to government institutions.

Railway Department officials further stated before the Committee that, notwithstanding an agreement entered into in 2000 with a certain institution regarding advertising, legal proceedings had been instituted due to non-payment of dues as stipulated in the agreement. It was also stated that disciplinary action had been initiated against the officer concerned for awarding tenders for rest rooms at the Badulla Railway Station without obtaining the prior approval from the Department.

The Chief Accounting Officer (CAO) also stated that a database is maintained on the revenue-generating assets of the Railway Department.

c. Observations of the Committee

The Committee observed that there are weaknesses in the recovery of arrears of revenue due to the Department in respect of the transportation of goods by rail, railway licence fees, shop and warehouse rentals, and other related activities.

d. Recommendations of the Committee

The Committee recommended that the Accounting Officer (AO) of the Department submit a comprehensive report to the Auditor General on the current status of arrears relating to railway licence revenue.

e. Reporting to the Committee on the status of implementation of the recommendations

A complete report on the current status of railway license revenue arrears has been submitted to the Committee with Annexure 07 of the report relating to the letter M/04/14/03/01-2025 and dated 04.06.2025.

❖ **Date of Examination – 27.11.2025.**

a. Matters Discussed (as per the Auditor General's observations)

The audit pointed out the following,

- The Committee has considered the non-recovery of railway licence revenue in the sum of Rs. 848,334,880 relating to the year 2020 and observed that a report on the current status of the said arrears had been furnished to the Auditor General on 03 June 2025.
- With regard to outstanding revenue from railway licences, it was stated that, as at 31 December 2020, the balance under

Licence 1 Account amounted to Rs. 769,194, which related to periods prior to 1987, and that the relevant supporting documents were not presently available.

The audit indicated that the outstanding balance of the License 2 account as of September 30, 2025 was Rs. 956,110,609, as stated in the report.

b. Clarifications provided by the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The Accounting Officer (AO) informed the Committee that, as of the concerned date, outstanding licence revenue stood at Rs. 966 million, with the Southern Provincial Education Department accounting for the highest outstanding balance of Rs. 103 million. It was further stated that the respective institutions had been formally notified in writing in that regard. The Accounting Officer (AO) further stated that action would first be taken to issue reminders for the recovery of outstanding licence fees relating to the current year, followed by the recovery of arrears pertaining to previous years. It was further stated that the outstanding amount for the year 2025 is expected to be recovered within the current year, and that the assistance of the Treasury would be sought in recovering the said outstanding balances.

The Chief Financial Officer of the Railway Department informed the Committee that certain payments had remained outstanding since 2016. She further stated that, in the absence of an established system to verify the realization of cheques issued by some institutions, arrangements were currently underway to re-verify the relevant records and obtain updated information.

c. Observations of the Committee

The Committee observed that a suitable mechanism should be formulated, in consultation with the Treasury, to ensure the recovery of the outstanding arrears.

d. Recommendations of the Committee

The Chief Accounting Officer (CAO) / Accounting Officer (AO) concurred with the Committee to formulate a mechanism, in consultation with the Treasury, to ensure the recovery of the outstanding amounts, and to submit it to the Committee within one (01) month. (by 31.12.2025).

e. Reporting to the Committee on the status of implementation of the recommendations

A report was submitted to the Committee vide letter No. MT/04/14/03/01-2025 dated 05.01.2026. Accordingly, 12 institutions were initially selected, and a sum of Rs. 75,833,816.00 (18.61%) was recovered out of an outstanding

balance of Rs. 406,830,587.00 as at 27.11.2025. A further amount of Rs. 105,999,100.00 was recovered from the arrears of other institutions. Accordingly, the Committee was able to facilitate the reduction of outstanding dues by Rs. 181,832,915.87 within a period of one month.

10) Failure to establish a comprehensive database of lands and properties owned by the Railway Department and inadequate documentation of such assets.

❖ Date of Examination – 09.05.2025

a. Matters Discussed (as per the Auditor General's observations)

The Committee, at its meeting held in 2024, had recommended that the Chief Accounting Officer (CAO) / Accounting Officer (AO) of the Ministry of Transport and Highways furnish a report to the Committee, by 05 August 2024, on the establishment of an information system containing data on lands and assets owned by the Railway Department, and further submit, a comprehensive report on the number of unauthorized settlements and encroachments on lands owned by the Department, by 15 September 2024. The audit informed the committee that the relevant report had been submitted on 18 September 2024. The audit pointed out that although newspaper advertisements had been published to register unauthorized residents and an opportunity had been given to voluntarily register, a systematic

program had not been developed to identify all unauthorized residents. The audit also pointed out that the process of regularizing the land users registered through the online system has now commenced, and the number of registered users as of 11.09.2024 is 2646.

**b. Explanations of the Chief Accounting Officer (CAO)
/ Accounting Officer (AO)**

The Accounting Officer of the Department of Railways informed the Committee that, with regard to the mapping of lands belonging to the Department of Railways, new digital mapping had been carried out only in the vicinity of the suburban railway stations, although an old survey existed.

c. Observations of the Committee

The Committee pointed out that the properties/lands belonging to the Department should be properly identified and documented, and that there is a significant potential for the Department to generate a substantial income by leasing/renting out those properties. The Committee further observed that unauthorized occupants of lands/properties under unauthorized occupation should either be evicted or subjected to the imposition of a lease charge.

d. Recommendations of the Committee

The Committee recommended to the CAO/AO of the Ministry that a detailed report containing the following information pertaining to lands belonging to the Department of Railways be submitted to the Committee within a period of three months (by 11.08.2025).

- Information on lands belonging to the Department of Railways
- Information on lands leased out from among those lands and the revenue derived therefrom
- Information on lands with unauthorized settlements from among those lands, including details as to who is in unauthorized occupation of such lands

e. Reporting to the Committee on the Progress of Implementation of Recommendations

The report on information pertaining to lands belonging to the Department of Railways, lands leased out on a rental basis, lands with unauthorized occupations, and details as to who is in unauthorized occupation of such lands has been submitted to the Committee by letter No. MT/04/14/03/01-2025 dated 12.08.2025. In this regard, it was noted that the identification of unauthorized occupants within railway reserves would only be possible upon the completion of the survey work on all railway

reserve lands. As the Department of Railways does not have a sufficient number of survey officers for this purpose, a request has been made through the Ministry of Finance for surveyors from the Ministry of Agriculture, Livestock, Land and Irrigation, and a plan detailing how the survey work will be carried out upon procuring the required human resources within a period of six months, has been prepared and submitted.

❖ **Date of Examination — 05.06.2025**

a. Matters Discussed (As per the Observations of the Auditor General)

The Audit pointed out that nine reserved lands of the Sri Lanka Department of Railways, namely those at Badulla, Kotagala, Kurunegala, Matara, Peradeniya, Haputale, Anuradhapura, Sarasavi Uyana and Batticaloa, had been provided to Ceylon Petroleum Storage Terminals Limited (CPSTL) for the operation of petroleum filling stations without entering into lease agreements, and that arrears of lease revenue amounting to Rs. 125,830,155, due from the said institution from the year 2014 up to 31 December 2024, had not been recovered.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The Accounting Officer informed the Committee that steps would be taken to rectify the matter.

c. Observations of the Committee

The Committee observed that the revenue accruing to the Department through the leasing of lands/buildings, is too critical to forfeit.

d. Recommendations of the Committee

The Committee recommended to the Accounting Officer of the Department of Railways that a report containing measures that could be taken to address the inefficiency prevailing with regard to the leasing of lands belonging to the Department of Railways be submitted to the Committee.

e. Reporting to the Committee on the Progress of Implementation of Recommendations

The Office of the Deputy General Manager (Commercial) computerized the active lease files in order to identify the number of such files, and it was thereby determined that approximately 6,500 files exist. The report submitted by letter No. MT/04/14/03/01-2025 dated 13.11.2025 includes both the data obtained through the computer software introduced to streamline the leasing of lands (Annexure 28-I) and a detailed report thereon (Annexure 28-II).

❖ **Date of Examination — 27.11.2025**

a. Matters Discussed (As per the Observations of the Auditor General)

In accordance with the recommendations of previous Committees, a report had been submitted containing information on lands belonging to the Department of Railways, lands leased out and the revenue derived therefrom, lands with unauthorized occupations, and persons in unauthorized occupation thereof. According to the said report, the total extent of lands belonging to the Department is 14,129 acres, of which 8,265 acres had been set apart for railway lines, railway stations, locomotive sheds and offices, and the extent of lands available for further leasing amounted to 4,395 acres. The Audit further pointed out that, according to file data, the extent of lands already leased out was 1,520 acres, and that, revenue of Rs. 220 million had been earned through leasing during the year 2024, and Rs. 123 million up to June 2025, and that, out of the 12,562 files maintained in respect of leased lands, only the files relating to 6,305 leased land plots had been entered into the Management Information System. The Audit also pointed out that the said report did not contain information on lands with unauthorized occupations or on unauthorized occupants.

It came to the attention of the Committee that the large two-storey building constructed on the land adjacent to the Polonnaruwa–Kaduruwela Railway Station had been abandoned

without being put to any use for a considerable period of time, and the Committee inquired into the request made by the Ministry of Trade for the building to be made available for the operation of a “Sathosa” outlet upon payment of the relevant monthly charges.

The Committee further inquired into the fact that although 2 of the 3 fuel tanks located in front of the Polonnaruwa–Kaduruwela Railway Station, each capable of storing more than 45,000 liters of fuel, had been sold by tender on 18.09.2024, those tanks could have remained in use for approximately another 100 years, and that although residents of the area had lodged a complaint with the police regarding the removal of the other underground tank as well, no action had been taken to date by the Department of Railways to safeguard this property, which belonged to the Department.

**b. Explanations of the Chief Accounting Officer (CAO)
/ Accounting Officer (AO)**

The officers stated that the files relating to 6,305 leased lands mentioned above comprised files relating to leasing activities, and that a considerable number of temporary files in respect of lease applications where the applicant had not responded, were included therein (approximately 4,000), along with inactive files. They further stated that all data relating to revenue-

generating lease files had by now been entered into the system, that the Management Information System of the Department is expected to be completed by around June 2026, at which point answers to many of these issues would be obtainable, and that it was expected that this would enable the land leasing activities of the Department to be conducted more efficiently.

The officials informed the Committee that the said building had been constructed by the Urban Development Authority as an alternative building in connection with a development project carried out in the Polonnaruwa area, and that although it had been given for use through tenders on two previous occasions, the successful tenderer had been unable to sustain its operation, and that there is no impediment to making it available to another government institution.

The officials informed the Committee that although the fuel tanks had been installed on land belonging to the Department of Railways, they were property belonging to the Ceylon Petroleum Corporation.

The officers informed the Committee, upon inquiries being made regarding the conduct of survey work on lands belonging to the Department of Railways, that the Department presently has only five surveyors in its cadre, and that in view of this constraint, the matter of outsourcing survey work to an external

party has been deliberated upon at management and audit committee meetings. They further stated that a plan setting out the manner in which such survey work is to be executed has since been formulated.

c. Observations of the Committee

The Committee observed that the Department of Railways has not paid due attention to the measures to be taken in instances where leased lands belonging to the Department are being used for purposes beyond those stipulated in the lease agreement.

d. Recommendations of the Committee

1. The CAO/AO agreed with the Committee to prepare a plan for the reassessment of leased lands used for purposes other than those specified in the lease agreement and for the recovery of the applicable lease charges, and to submit such plan to the Committee within one month (by 31.12.2025).
2. The CAO/AO agreed with the Committee to prepare a plan for entering into valid lease agreements in respect of lands for which no valid lease agreement is currently in force, and to submit such plan to the Committee within one month (by 31.12.2025).

3. The CAO/AO agreed with the Committee to discuss the leasing of the newly constructed two-storey building situated on the land adjacent to the Polonnaruwa–Kaduruwela Railway Station premises, which is not presently being put to proper use, to a government institution or any other more advantageous course of action, and to report to the Committee thereon within one month (by 31.12.2025).

4. The CAO/AO agreed with the Committee to submit a report to the Committee within one month (by 31.12.2025) on the ownership of the three fuel tanks with a storage capacity of 45,000 liters each, which were located in front of the Polonnaruwa–Kaduruwela Railway Station premises, and on the measures taken or to be taken in respect of those tanks.

5. The CAO/AO agreed with the Committee to submit a report to the Committee within one month (by 31.12.2025) on the ownership of the three fuel tanks with a storage capacity of 45,000 liters each, which were located in front of the Polonnaruwa–Kaduruwela Railway Station premises, and on the measures taken or to be taken in respect of those tanks.

e. Reporting to the Committee on the Progress of the Implementation of Recommendations

The plan for entering into valid lease agreements in respect of lands for which no valid lease agreement is currently in force has been submitted to the Committee by letter No. MT/04/14/03/01-2025 dated 05.01.2026.

11) Implementation of a joint project along the railway line by Hutchison Telecommunications Lanka (Private) Limited and the Department of Railways

❖ Date of Examination — 09.05.2025

a. Matters Discussed (As per the observations of the Auditor General)

The Audit pointed out certain deficiencies that existed in relation to the project for the laying of fiber cables along the routes of the Sri Lanka Department of Railways from Fort Railway Station to Peralanda Railway Station (up to kilometer 20 on the Puttalam line) and from Maradana Railway Station to Panagoda Railway Station (up to kilometre 30 on the Kelani Valley line), undertaken by the Sri Lanka Department of Railways as a partner in a joint project upon the proposal of Hutchison Communications Lanka (Private) Limited: including that a proper feasibility study covering the technical, environmental and financial aspects of the project had not been conducted; that work had been commenced prior to obtaining

the requisite legal approvals in the proper manner and prior to entering into written agreements; that damage had been caused to the signalling system as a result of damage caused to the existing cable system of the railway line during excavation work carried out for the laying of cables under this project; that the losses arising from such damage had not been assessed and recovered from the relevant institution to date; and that no progress report on the project had been submitted to date.

**b. Explanations of the Chief Accounting Officer (CAO)
/ Accounting Officer (AO)**

The Director General of Railways informed the Committee that an investigation conducted in this regard had revealed that work on the project had been commenced prior to the receipt of formal approval, and that steps were being taken to institute disciplinary proceedings against the officers concerned. He further disclosed that a committee had been appointed to conduct an investigation into the fiber cable laying project from Maradana Railway Station to Panagoda Railway Station and that an appropriate decision was to be reached thereon. The Chief Signal Engineer, who clarified the legal position in this regard, stated that approval had been obtained from the Ministry Secretary for the laying of the cables.

The Chief Signal Engineer stated that the cable maintenance service agreement had taken some time to be forwarded to the

Attorney General for approval, and that since the said agreement was applicable only upon the commencement of cable usage and was not applicable to the laying of cables, the laying of cables had been carried out on the basis of the approval granted by the Secretary to the Ministry. He further stated that the approval of the Attorney General for the cable maintenance service agreement had since been received. It was further mentioned that steps were being taken to recover the losses in respect of the signal cables damaged during excavation work, and that the relevant institution had expressed its agreement to that effect.

The Chief Signal Engineer further stated that as the optical fiber cable system in the possession of the Department of Railways was more than 50 years old, the Department had been in dire need of modernizing it in order to prevent recurring breakdowns, and that since Hutchison had agreed to provide fiber optic cables and to install the cables relevant to the Department of Railways as well, this had afforded the Department the opportunity to have that work carried out at no cost to itself.

c. Observations of the Committee

The Committee observed that the implementation of the project without a formal plan had been the cause of all the problems that had arisen.

d. Recommendations of the Committee

The Committee recommended to the CAO of the Ministry that a study be conducted with regard to the agreement to be entered into between Hutchison Telecommunications Lanka (Private) Limited and the Department of Railways, and that a report thereon be submitted to the Committee.

e. Reporting to the Committee on the Progress of Implementation of Recommendations

the relevant preliminary investigation file and draft charges have been forwarded By letter My Number.4373/12/2025(දු.සා. කා) dated 27.05.2025, to the Ministry of Transport, Highways, Ports and Civil Aviation for submission to the Secretary of the Public Services Commission. It has further been indicated that it is intended to lease four fibers from the fiber optic cables laid by Hutchison Telecommunications Lanka (Private) Limited within lands belonging to the Department of Railways back to Hutchison Telecommunications Lanka (Private) Limited on a lease basis.

By letter No. MT/04/14/03/01-2025 dated 04.06.2025, the Committee has been informed that the Secretary to the Ministry of Transport, Highways, Ports and Civil Aviation has, by letter No. MT/04/14/03/01-2025 dated 30.05.2025, appointed a committee comprising the Additional Secretary (Development), the Director General (Planning) and the Legal Officer of the

Ministry of Transport, Highways, Ports and Civil Aviation for the purpose of submitting reports in respect of the recommendations made by the Committee on Public Accounts.

12) **Retention of Engines and Power Sets in the premises of the Office of the Chief Mechanical Engineer at Ratmalana and at Railway Depots for a period ranging from approximately one year to eight years.**

❖ **Date of Examination — 09.05.2025**

a. Matters Discussed (As per the observations of the Auditor General)

The Audit pointed out that the total fleet of railway engines and power sets of the Department comprised 267 units, of which 90 were over 40 years old, 69 were between 20 and 30 years old, 62 were between 10 and 20 years old, and 46 were under 10 years old, and that, 63 railway engines and 40 power sets had been retained in the premises of the Office of the Chief Mechanical Engineer at Ratmalana and at railway depots for a period ranging from approximately one year to eight years, and that, out of a total of 1,662 coaches, 1,475 passenger coaches had been deployed in service during the year 2024, and that, out of 1,705 wagons, 816 had been deployed in service.

**b. Explanations of the Chief Accounting Officer (CAO)
/ Accounting Officer (AO)**

The Accounting Officer informed the Committee that the Department has been facing the said inconvenience due to a shortage of technical staff, and that steps would be taken to minimize the staff shortage by the month of September.

c. Observations of the Committee

The Committee inquired from the officials regarding the steps taken to minimize the staff shortage, and observed that the relevant steps should be completed as expeditiously as possible

d. Recommendations of the Committee

No recommendation was made by the Committee in respect of this audit observation.

**e. Reporting to the Committee on the Progress of
Implementation of Recommendations**

Not applicable.

13) Thefts within trains and at railway yards

❖ Date of Examination — 09.05.2025

**a. Matters Discussed (As per the Observations of the
Auditor General)**

The Audit pointed out that electronic components including batteries, motors and wiring had been stolen from the two luxury

Indian trains that operated on the Anuradhapura–Vavuniya route while they were parked in the yard belonging to the Anuradhapura Railway Station.

b. Clarifications by the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The officers of the Department of Railways informed the Committee that one of the trains was currently in service and that steps were being taken to restore the other train to service, and that incidents of this nature occurred on a regular basis and that the situation had been aggravated by a reduction in security staff, and that as authorization had been granted to recruit new staff to the Railway Protection Service, it would be possible to bring the situation under control to some extent in future.

c. Observations of the Committee

The Committee observed that although approximately three years had elapsed since the said incident occurred, the persons responsible had not yet been identified in the course of the relevant investigation.

d. Recommendations of the Committee

The Committee recommended to the CAO of the Ministry that a report on the investigation be submitted to the Committee as expeditiously as possible.

e. Reporting to the Committee on the Progress of Implementation of Recommendations

The Committee has been informed by letter No. MT/04/14/03/01-2025 dated 04.06.2025;

- That a new investigation committee has been appointed owing to objections raised against the committee that had previously been appointed to conduct the investigation, and
- That the maintenance work on the relevant train has now been completed and preparations have been made for a trial run within the current week.

❖ **Date of Examination — 27.11.2025**

a. Matters Discussed (As per the Observations of the Auditor General)

The Audit pointed out the following:

A report on the investigation had not been forwarded to the Committee even as at 14 November 2025.

A three-member committee had been appointed on 30 May 2025 to conduct a preliminary investigation and submit recommendations regarding the deterioration of Hitachi train carriage sets of types S-13A and S-5, which had been parked at the Maligawatta John Holland Yard, and the theft of components from the said train carriage sets.

The said committee had submitted an interim report on the said investigation on 07 November 2025, in which the following matters were set out:

Although the Supervising Manager had reported on 10 February 2023 that spare parts of the S-13A coaches had been stolen, a complaint had not been lodged with the police.

After an electrical engineer of the Indian RITES Company, which maintains the said train carriages, had reported that 35 items related to 05 types were missing, an on-site inspection was conducted and a complaint had been lodged at the Dematagoda Police Station on 02 May 2023.

The Supervising Manager had reported on 19 May 2023 that, in addition to the above missing items, 20 items related to 05 further types had been missing, and a complaint had been lodged with the police on the same day. The loss in respect of the said items was estimated at Rs. 11,983,404.

A detailed report on the losses relating to the missing items had not yet been prepared.

Action had not been taken regarding the losses in accordance with Financial Regulations 101 to 110 and the relevant Internal Circulars.

**b. Explanations of the Chief Accounting Officer (CAO)
/ Accounting Officer (AO)**

The Accounting Officer stated that these railway yards remain open at all times, and that due to the large number of staff, it is often difficult even to identify one another, and under such circumstances, there is considerable likelihood of thefts of this nature occurring on a large scale. He further stated that during discussions held with the Ministry, it was emphasized that in addition to the internal security division, the support of an external party was also required for the security of these premises, and that a programme was accordingly being developed.

c. Observations of the Committee

The Committee observed that although the railway yards are extensive, a methodology should be developed to strengthen security in areas that require priority attention.

d. Recommendations of the Committee

The CAO/AO agreed with the Committee to prepare a formal plan with regard to the internal and external security of railway yards throughout the island and to report to the Committee within one month (by 31.12.2025).

e. Reporting to the Committee on the Progress of Implementation of Recommendations

A report has been submitted to the Committee by letter No. MT/04/14/03/01-2025 (Vol-ii) dated 16.02.2026.

14) Frequent Breakdown of Railway Services and Inefficiency of the Department

❖ Date of Examination — 09.05.2025

a. Matters Discussed (As per the Observations of the Auditor General)

The Audit pointed out that the sluggish and inefficient conduct of officers of the Department of Railways had been a primary cause of the deterioration of the Department and the breakdown of its services.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

No clarifications were offered by the CAO/AO in this regard.

c. Observations of the Committee

The Committee observed that this had resulted in causing considerable inconvenience to the public and inflicting significant financial loss on the government.

d. Recommendations of the Committee

No recommendation was made by the Committee in respect of this audit observation.

e. Reporting to the Committee on the Progress of Implementation of Recommendations

Not applicable.

❖ **Date of Examination — 05.06.2025**

a. Matters Discussed (As per the Observations of the Auditor General)

The Audit pointed out that during the period from 2017 to 2024, the number of instances of delayed train operations as a percentage of the number of scheduled runs ranged between 46% and 64%.

b. Explanations of the Chief Accounting Officer (CAO)/ Accounting Officer (AO)

The officials of the Department of Railways stated that reasons beyond the control of the Department such as landslides, tree-falls and technical faults have caused train delays in some occasions, that technical issues related to the engines and railway track system make railway administration formidable, and that reasons such as shortage of train drivers and other employees are affect the efficiency of the service.

c. Observations of the Committee

The Committee was of the view that train cancellations and delays have a direct impact on effectiveness of the service, and therefore there is a necessity to overcome these shortcomings to establish a more efficient railway service in the future.

d. Recommendations of the Committee

1. The Committee recommended the Accounting Officer of the Department of Railways to provide the following reports regarding train running performance (train cancellations and delays).
 - To submit a comprehensive report to the Ministry on the daily train cancellations and delays.
 - To submit a report to the Ministry on the reasons for such incidents and the possible precautionary measures to prevent such incidents from recurring.
 - To conduct an audit on the daily losses caused by train cancellations and delays and submit a relevant report to the Committee.

2. The Committee recommended to the Chief Accounting Officer and the Accounting Officer to conduct a study on the railway administration and take steps to carry out the necessary restructuring.

3. The Committee recommended to the Accounting Officer of the Department of Railways to provide the Committee with a comprehensive report on the financial progress achieved in the last 5 years.

e. Report to the Committee on the progress of implementing the recommendations

The followings have also been submitted to the Committee by letter no: MT/04/14/03/01-2025 dated 13.11.2025.

- A report on daily train cancellations and delays has been submitted to the Ministry and a copy thereof has been provided,
- Recruitments for essential posts have already been made to minimize delays and cancellations at present, and steps are being taken to recruit train guards, train drivers and engineers to minimize delays and cancellations in the future,
- Steps have been taken in collaboration with the private sector to expand the train fleet,
- A computer software has been developed to calculate daily losses, and work is currently underway to improve it,
- A committee appointed by the Department of Railways on 14.07.2025 to conduct a study on railway administration and make necessary restructurings has

prepared a draft report and is scheduled to be forwarded to the Secretary to the Ministry of Transport, Highways and Urban Development for further action,

- A report on financial progress achieved over the past 05 years.

❖ **Date of Examination - 27.11. 2025**

a. Matters discussed (as per the observations of the Auditor General)

A report titled ‘Estimation of Financial Losses Due to Train Delays & Cancellation. A Methodological Approach for Sri Lanka Railways’ had been prepared to calculate the daily loss. The Audit informed the Committee that, assuming a total daily train delay of 1,000 minutes, the daily loss due to these delays was calculated at Rs. 738,560.

The audit pointed out that the report did not include the reasons for the daily train cancellations and delays and the future measures that could be taken to prevent such incidents from recurring.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

- The CAO stated that, although the approval has been granted to recruit 911 new individuals to the Department

of Railways, it is difficult to take immediate action and recruitment can be done within 2-3 years, and recruitment has become formidable due to the fact that the number of individuals who had obtained sufficient marks in the examination conducted by the Department of Examinations is minimum and considerable number of technicians have left the country,

- The newly recruited individuals should be directed to long-term training programmes to develop their technical knowledge, which will take about 02-03 years, and a special task force will be appointed based on the Dematagoda and Ratmalana railway yards and plans for the next 05, 10 and 20 years are already being prepared,
- The procurement process has already begun for short-term measures such as purchasing new engines and expediting the repair of existing engines,
- Since 1954, a total of 286 railway engines have been imported into the country, of which 277 are currently in the possession of the Department, while 12 have been disposed of; only 163 out of them are in a condition suitable for operation, although approximately 100 railway engines are required for regular train services, and at present 53 railway

engines are under major maintenance and 58 are under minor maintenance, resulting in 111 railway engines being out of service,

- Approval has been granted to recruit 92 drivers, of whom 85 are scheduled to assume duties on 01st December,
- Although 57 applicants had passed the examination held for 227 train guards vacancies, it was identified during the interview that only 12 applicants had completed the educational qualifications required to the recruitment procedure,
- A mobile application called RDMNS App has been developed by a private group to enable train commuters to receive real time information on train delays, but could not conduct further discussions with them.

c. Observations of the Committee

The Committee was on the view that the absence of a mobile application owned by the Department shows a huge backward situation in keeping with modern technology and that the Department of Railways itself should develop such an efficient application instead relying on the conditions of a private group.

d. Recommendations of the Committee

The CAO/AO agreed with the Committee to submit a report within one month (by 31.12.2025) on whether the Department of Railways will take initial steps to develop a suitable mobile application for providing passengers with real-time information on train delays, or whether alternative options are available.

e. Report to the Committee on the progress of implementing the recommendations

It has been submitted to the Committee through letter no: MT/04/14/03/01-2025 (Vol-ii) dated 16.02.2026 that 03 applications are currently being developed under the "Pravesha" Smart Ticketing and Seat Reservation (STSR) system and that it has been developed to enable passengers to access real-time train schedule information.

15) Staff composition of the Department.

❖ Date of Examination – 09.05.2025

a. Matters discussed (as per the observations of the Auditor General)

The audit pointed out that the total number of vacancies in the senior level, tertiary level, secondary level, primary level, casual and contract categories of employees in the Department of Railways as at 31 December 2024 is 5943.

**b. Explanations of the Chief Accounting Officer (CAO) /
Accounting Officer (AO)**

The Chief Accounting Officer submitted before the Committee that although recruitments are made for posts such as train drivers, those newly recruited employees are deployed after a 03-year training period, due to which there are currently a large number of vacancies in the train driver service and that employees in certain services are working amidst severe hardships without even minimal sanitary facilities.

c. Observations of the Committee

The Committee observed that although there is an excess of 1474 employees in the primary level posts, there are a large number of vacancies in the higher grades and technical services, and that employees should be recruited and directed for training expeditiously.

d. Recommendations of the Committee

The Committee did not make a recommendation for this audit matter.

**e. Reporting to the Committee on the progress of
implementing the recommendations**

Not applicable.

16) Prevailing issues on the railway lines

❖ Date of Examination – 09.05.2025

a. Matters discussed (as per the observations of the Auditor General)

Although the bridges at Induruwa, Gintota, and Dodanduwa were used for about 15–16 years without any issues, it has been reported that by 2024 all three bridges had deteriorated to a condition where maintenance is no longer possible, and it was further revealed that train services on the Colombo Fort–Galle railway line operated with M-11 and M-10 train engines have been temporarily suspended from Induruwa railway station onwards.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The Chief Engineer of the Department of Railways stated that the Faculty of Civil Engineering of the University of Peradeniya is currently conducting inspections on the bridges and that the work is being carried out along the main line, and that due to issues at cross lines, train drivers are operating with caution and speed restrictions have been imposed.

c. Observations of the Committee

The Committee observed that although bridges are generally designed for a period of 100 years, the deterioration of the

aforementioned bridges within a period of 24 years should be investigated to determine whether it has occurred due to any irregularity.

d. Recommendations of the Committee

The Committee did not make a recommendation for this audit matter.

e. Reporting to the Committee on the progress of implementing the recommendations

Not applicable.

17) Old Kelaniya railway bridge construction and replacement project

❖ Date of Examination - 09.05.2025

a. Matters discussed (as per the observations of the Auditor General)

According to the Austrian aided project of 16,600,000 EUR for the construction and turnkey replacement of the old Kelaniya railway bridge, the feasibility study report conducted by the University of Peradeniya in 2002 had reported that this bridge could be used until 2022. Although the bridge should be removed in the next year or two, it was observed in the audit that neither the Department of Railways nor the Ministry of Transport had made any prior preparations regarding the

measures to be taken for this purpose and a feasibility study had not been conducted.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The Chief Engineer of the Department of Railways and other departmental officers were of the opinion that funds have been allocated by the government for this replacement, and that it has been arranged to prepare the plans and other documents to be provided by the CECB institution within the next three months and to call for bids.

c. Observations of the Committee

The Committee observed that work should be started expeditiously and steps should be taken to minimize the risk.

d. Recommendations of the Committee

The Committee did not make a recommendation for this audit matter.

e. Reporting to the Committee on the progress of implementing the recommendations

Not applicable.

❖ **Date of Examination - 05.06.2025**

a. Matters discussed (as per the observations of the Auditor General)

The audit pointed out that, according to the project for the replacement of the Kelaniya old railway bridge, and in accordance with the feasibility study report carried out in the year 2002 by a team of engineers of the University of Peradeniya, it had been reported that this bridge could be used until the year 2022, and accordingly, although this bridge should have been mandatorily removed within the next one or two years neither the Department of Railways nor the Ministry of Transport had made prior preparations with regard to the actions to be taken for that purpose, and a feasibility study had also not been conducted.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The officials stated that local funds have been allocated for this. The officials stated that a quotation has already been obtained from the Central Engineering Consultancy Bureau (CECB), the design, tender documents and engineering estimate have been received by now and the relevant Cabinet paper has already been prepared and it can be presented to the Cabinet within the coming week.

c. Observations of the Committee

The Committee observed that the failure of the Department of Railways to prepare even a plan for this purpose, despite provisions having been allocated by the Treasury for both the years 2023 and 2024 constitutes inefficiency of the Department.

d. Recommendations of the Committee

The Committee did not make any recommendations for this audit matter on this day.

e. Report to the Committee on the progress of implementation of recommendations

Not applicable

18) Underutilized machinery and scrap materials piled up in the Chief Mechanical Engineer's office premises in Ratmalana.

❖ Date of Examination – 05.06.2025

a. Matters discussed (as per the observations of the Auditor General)

The audit pointed out that the,

- i. testing room constructed under Japanese aid for engine repair and testing,
- ii. shot blasting room constructed under Romanian aid for paint removal,
- iii. vertically mounted press machine,

and railway workshops belonging to the Department of Railways are observed to be underutilized.

**b. Explanations of the Chief Accounting Officer (CAO)/
Accounting Officer (AO)**

The officials stated that the Department has fulfilled the requirements taking the annual requirements into consideration.

c. Observations of the Committee

The Committee observed that, due to the accumulation of a large quantity of old machinery and scrap materials that are to be disposed in railway workshops, non-availability of adequate space required for employees to carry out daily operational activities, not having a conducive working environment, weaknesses in the procurement process, maintenance of unnecessary excess stock, and putting certain into use only after the expiry of the warranty period, thereby resulting in the loss of the opportunity to rectify defects or shortcomings without payment.

d. Recommendations of the Committee

The Committee did not make a recommendation for this audit matter.

e. Reporting to the Committee on the progress of implementing the recommendations

Not applicable.

19) Purchase and Maintenance of M -11 train engines

❖ Date of Examination – 05.06.2025

a. Matters Discussed (as per the observations of the Auditor General)

The audit pointed out that the purchase of these M -11 engines had been carried out without a proper plan.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The officials stated that;

- i. ten M-11 engines were imported into the country in the year 2019, and importing of all these engines had been completed by the end of the year 2020,
- ii. the cost of one engine is about 4.2 USD million,
- iii. although the 10 engines became inoperative after a period of use, 08 engines have been restored by now and the remaining 02 engines are also being restored,
- iv. 40 starter motors were ordered in accordance with the instructions set out in the maintenance manual, and the order was placed upon considering the damage that would be caused to the engine if the starter motor was not used

and the consequent release of the company from liability for those engines,

- v. the M-11 engines can be used for about 18 years by carrying out maintenance in accordance with the procedures set out in the manual, and such maintenance is more cost-effective than purchasing new engines.

c. Observations of the Committee

The Committee observed that due to the absence of an updated information system containing data on railway equipment/machinery, the goods available in the stores of the Department of Railways are not being recorded accurately and this has become a major obstacle in decision making.

d. Recommendations of the Committee

1. The Committee recommended to the Accounting Officer of the Department of Railways to conduct an Examination into the process of purchasing M- 11 engines and submit a report to the Committee.
2. The Committee recommended to the Accounting Officer of the Department to examine the amount spent on the purchase of these engines and the expenses incurred so far for their maintenance and report to the Committee.

e. Report to the Committee on the progress of implementing the recommendations.

The followings have been submitted to the Committee under annexure 09 of the report submitted by letter no. MT/04/14/03/01-2025 dated 13.11.2025.

- i. The Cabinet approval that has been granted to procure 10 electric diesel engines with a horsepower capacity of 2300–3200 identified as a requirement under the 05-year plan of the Department of Railways under the Indian credit line facility,

- ii. the bidding documents were prepared to invite bids under a competitive bidding procedure, and that upon being informed by the government of India that only Rites Limited would submit quotations under the Indian credit line, and after obtaining clarifications to align the prices and specifications submitted by that entity with the requirements of the Department of Railways, steps were taken to procure 10 electric diesel engines (M-11) with a horsepower capacity of 2300–3200 following the approval by the Cabinet of the recommendation of the project Committee and the decision of the Committee appointed by the Cabinet,

iii. the cost of purchasing the engines and the expenditure incurred so far for maintenance.

20) The agreement entered into with Mobitel in relation to the reservation of railway seats

❖ Date of Examination – 05.06.2025

a. Matters discussed (as per the observations of the Auditor General)

The audit pointed out that although the agreement entered into between Mobitel (Private) Limited and the Department of Sri Lanka Railways for the implementation of the M seat reservation system had expired on 31 December 2023, action had not been taken to renew the said agreement or to enter into a new agreement, and that the fees relating to M seat reservations continued to be credited to an account of Mobitel.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The approval from the Attorney General for the new agreement has been received, that the relevant entity has been informed that a deposit of Rs.18 million is required to enter into the agreement, and that arrangements have been made to sign the agreement immediately upon receiving their consent. The Accounting Officer stated that all the money due to the Department of Sri Lanka Railways from that entity have been received to date.

c. Observations of the Committee

The Committee observed that the Department of Railways should resolve this issue as expeditiously as possible.

d. Recommendations of the Committee

The Committee did not make a recommendation for this audit matter.

e. Report to the Committee on the progress of the implementation of the recommendations

Not applicable.

21) The Recovery of the amount due for providing engines and drivers for the transportation of limestone by train.

❖ Date of Examination 05.06.2025

a. Matters discussed (as per the observations of the Auditor General)

The audit pointed out that the outstanding revenue due from Siam City Cement (Lanka) Limited for the transportation of limestone by train as at 31 December 2024 amounted to Rs. 2,187,326.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

Officials of the Department of Railways stated before the Committee that the engines and drivers of the Department were

provided on a rental basis to transport limestone to a private cement factory in Aruwakkaru, Puttalam, and that the relevant company had refused to pay the said amount due to the fact that the periods during which the engines were not used were also included in the payment when submitting the invoices for the relevant payments; later the amount charged in excess was reduced and the revised invoice was issued, and the said amount has now been fully settled.

c. Observations of the Committee

The Committee was of the view that the failure to properly record the return of railway engines delivered to the company and the lack of proper supervision had led to this situation. It also emphasized the need to develop a time recording system and send invoices containing accurate times to the relevant company.

d. Recommendations of the Committee

The Committee did not make a recommendation for this audit matter.

e. Reporting to the Committee on the progress of implementing the recommendations

Not applicable.

❖ **Date of Examination 27.11.2025**

a. Matters discussed (as per the observations of the Auditor General)

The audit questioned the action taken and the progress made regarding the outstanding amount due from Siam City Cement (Lanka) Limited for the transportation of limestone by train from Aruwakkaru railway station.

b. Explanations of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

Officials of the Department of Railways stated that following the privatisation of the Cement Corporation all related assets were owned by a private entity, and in accordance with a Cabinet decision, the Department of Railways and the private cement company (Siam City) had entered into an agreement for the transportation of limestone with prices per ton being set in line with the Colombo Consumer Price Index and payments collected by the Department of Railways; they further stated that railway engines are also provided to the company on a rental basis as an additional source of revenue for the Department, and that so far the company has made payments without default.

The Accounting Officer of the Department of Railways Informed the Committee that, with regard to the mapping of

lands belonging to the Department of Railways, although an older survey existed, new digital mapping had been carried out only in the vicinity of the suburban railway stations.

c. Observations of the committee

The committee observed that the leasing of railway engines and drivers, and the generation of revenue from such activities, are not being carried out according to a clear plan.

d. Recommendations of the committee

The Chief Accounting Officer /Accounting Officer agreed with the committee to submit a report to the committee within 2 weeks (by 17.12.2025) regarding the leasing of trains/engines belonging to the Department of Railways, the charges and income related to its operations, laying of tracks and maintenance work, the manner in which general operations are conducted and controlled.

e. Reporting to the committee on the progress of implementation of recommendations

A report has been submitted to the committee through letter No. MT/04/14/03/01-2025 dated 31.12.2025.

22) Payment to suppliers without verifying whether the ordered goods have been received according to the required standards and requested quantities, and the failure to recover the amount due for goods received in short supply.

❖ Date of Examination - 05.06.2025

a. Matters discussed (As per the Auditor General’s observations)

Although payments for store supplies should be made only after certification by the responsible officer confirming that goods have been received in the required quality and correct quantities, the audit revealed that a sum of Rs. 95,763,117 had been paid to suppliers for goods that had not been supplied, without any such certification.

Further, it was pointed out by the audit that amounts paid for goods not received—Rs. 84,079,198 relating to the period from 1980 to 2022, Rs. 2,184,279 for the year 2023, and Rs. 26,138 for the year 2024, totaling Rs. 86,289,615 had not been recovered.

b. Clarifications of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

Officials stated that discussions have been initiated with the relevant suppliers to recover the amounts related to such past procurements or to settle them through the supply of goods. They further pointed out that while it is relatively easier to

contact recent suppliers, there are practical difficulties in this process, especially in relation to procurements made as far back as 1980, as some of those supplier entities no longer exist.

c. Observations of the committee

The Committee observed that the absence of a proper procurement procedure has led to this situation.

d. Recommendations of the committee

No recommendations were made by the Committee regarding this audit matter.

e. Reporting to the committee on the progress of implementation of recommendations

Not applicable

23) Transportation of goods by trains

❖ Date of Examination – 05.06.2025

a. Matters discussed (As per the Auditor General's observations)

The audit revealed that, as at the end of 2021, a sum of Rs. 140,784,351 remained outstanding from 47 institutions for the transportation of goods by railway. In addition, arrears of railway license revenue amounting to Rs. 848,334,880 for the year 2020, other arrears amounting to Rs. 556,205,725 for 2020,

and outstanding rent of Rs. 36,790,032 relating to 3 shop rooms and warehouses had not been recovered, bringing the total outstanding revenue to Rs. 1,582,114,988. Furthermore, as at 31 December 2024, an amount of Rs. 169,769,006 remained outstanding from 31 institutions for goods transportation by railway, of which Rs. 23,457,706 due from 20 institutions consisted of balances outstanding for periods ranging from 7 to 44 years.

**b. Clarifications of the Chief Accounting Officer (CAO) /
Accounting Officer (AO)**

It was revealed at the committee that although the Department of Railways was originally established about 160 years ago with the objective of transporting goods, by 2025 only about 0.6% of the country's total goods transportation is carried out by rail. Railway officials stated that while the department once held a monopoly, transport via rail has decreased due to factors such as the development of road networks, the availability of efficient alternatives like trucks, and the high costs associated with the department having to maintain its own rail tracks. However, officials explained that agreements are already in place with companies such as "Prima" and "Insee Cement." Steps have also been taken to increase fuel transport capacity by 40%. Furthermore, agreements have been finalized for projects involving fuel transport to Kankesanthurai, transport of

agricultural produce from Thambuttegama to Colombo, and the transport of parcels from Colombo to Thambuttegama on the return journey.

c. Observations of the committee

The Committee observed that goods transportation by railway should be made more efficient.

d. Recommendations of the committee

It was recommended to the Accounting Officer of the department to prepare a Master Plan regarding the transportation of goods and submit it to the committee.

e. Reporting to the committee on the progress of implementation of recommendations

It was reported to the Committee, under Annex 19 of the report submitted through letter No. MT/04/14/03/01-2025 dated 13.11.2025, that:

- A preliminary concept report relating to the Master Plan for goods transportation has been prepared.
- Initial steps have been taken to conduct feasibility studies on the Multi-purpose Logistics and Warehousing Center and the transportation of vegetables from Thambuttegama to Colombo.

- Due to the existing shortage of engines, it has been difficult to accept transportation requests in a manner that maintains stakeholder confidence.

24) **Train accidents.**

❖ **Date of Examination – 05.06.2025**

a. Matters discussed (As per the Auditor General’s observations)

There are 1,362 major and minor railway level crossings within the railway network, of which 185 are private crossings and 1,177 are crossings that must be protected by the Department of Railways. Of these 1177 level crossings, 300 are operated by railway gates, 438 are operated by railway signals, and 439 are manned by community police committee members. Out of these 439 level crossings, 200 have manually operated gates, while the remaining 239 are in an unsafe condition, but no action had been taken. The audit pointed out that due to the existence of these unprotected railway crossings and the improper functioning of the safety mechanisms implemented at crossings, a total of 385 accidents had occurred at railway crossings during the five-year period from 2020 to 2024. Out of these, 37 fatalities and 105 injuries had been reported

b. Clarifications of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

Officials of the Department of Railways stated that 75 level crossings are scheduled to be upgraded to safe conditions by the end of 2025, and that steps have been taken to ensure their safety by installing railway barriers, bell and light systems, as well as by implementing railway signaling systems.

c. Observations of the committee

The Accounting Officer stated that approximately 300 deaths occur annually due to suicides and accidents caused by walking along railway tracks. It was further stated that surcharges have been imposed on individuals held responsible for accidents caused by careless train operations.

d. Recommendations of the committee

1. The Committee emphasized the necessity of upgrading all unprotected railway gates to safe conditions and recommended the Accounting Officer of the Department of Railways to submit a document to the Committee containing details of the identified unprotected railway gates.
2. It was recommended to the Accounting Officer of the department to conduct an Examination by a third party

with technical knowledge and submit a report with recommendations to the Committee to minimize train accidents.

e. Reporting to the committee on the progress of implementation of recommendations

- The number of unprotected railway crossings has now been reduced to 429,
- Agreements have been signed for the installation of 46 new systems under the Maho/Anuradhapura Signaling Project,
- 15 new systems have already been completed under departmental projects.
- A committee appointed to identify priorities for level crossings has identified critical locations, and arrangements have been made to install systems at 134 such locations during the years 2026/2027.
- A discussion was held on 28.07.2025 with the General Manager of Railways, involving the Chairman of the National Council for Road Safety. During this discussion, the preparation of the relevant plan was assigned to the appropriate regulatory body, and the department was verbally informed that steps would be taken to regulate this matter,

These matters have been submitted to the committee under Annexes 20 and 21 of the report presented through letter No. MT/04/14/03/01-2025 dated 13.11.2025.

25) Recruitment and promotions in the Department of Railways

❖ Date of Examination – 05.06.2025

a. Matters discussed (As per the Auditor General's observations)

It was pointed out by the audit that out of the approved cadre of 210 positions at the senior level, the actual number of employees was 128, resulting in 82 vacancies, which is 39%. At the tertiary level, out of 450 approved positions, the actual number of employees was only 67, resulting in 383 vacancies, which is a significantly high 85%. At the secondary level, out of the approved cadre of 11,339 positions, the actual number of employees was 5,928, leaving 5,411 vacancies, which is 47%.

b. Clarifications of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

Officials of the Department of Railways stated that although requests had been made earlier to recruit employees, approval had not been granted until March of this year. They further stated that applications have now been called for many positions, and arrangements have been made in coordination with the

Department of Examinations to conduct the relevant examinations in June and July.

c. Observations of the committee

The Committee was of the opinion that the failure to carry out recruitments for positions in a timely manner is a primary reason for the inefficiency within the Department of Railways.

d. Recommendations of the committee

1. Recommendations were made to the Chief Accounting Officer and the Accounting Officer to resolve the issues arising due to delays in recruitment and promotions.

2. Recommendations were also made to submit a report to the committee regarding the failure to implement recommendations/disciplinary actions issued by the Public Service Commission.

e. Reporting to the committee on the progress of implementation of recommendations

- Information regarding the actions taken to fill vacancies by 30.09.2025 has been submitted to the committee under Annex 19 of the report sent through letter No. MT/04/14/03/01-2025 dated 13.11.2025.

- It has also been informed that there are no pending disciplinary files where decisions given by the Public Service Commission have not been implemented.

26) Booking train seats online.

❖ **Date of Examination – 05.06.2025**

a. Matters discussed (As per the Auditor General's observations)

There is a huge passenger demand for the Colombo Fort - Badulla train and 04 trains are operated daily for it, and for this, online seat reservation opens every day at 10.00 a.m. a month before and more than 58 percent of the seats are booked within 01 second and all the seats are booked within an hour, but no proposal has been prepared and brought to the attention of the authorities to meet the increasing demand, and 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, but during the sample audit, seats were reserved from 24 to 182 seats per identity card. The audit also pointed out that during the 9 days of the sample inspection of train 1041 Ella Odyssey in November 2024, 2500 seats, consisting of 1184 first class seats, 1036 second class seats and 285 third class seats, were empty from Fort to Kandy.

The audit also pointed out that the agreement entered into between Mobitel (Private) Company Limited and the Sri Lanka Railways Department to implement the M seat reservation system had expired on 31 December 2023, but it was observed that the fees related to the reservation of M seats were being credited to an account of Mobitel, despite the fact that no steps had been taken to update the relevant agreement or enter into a new agreement.

**b. Clarifications of the Chief Accounting Officer (CAO) /
Accounting Officer (AO)**

After identifying that certain organized individuals and institutions were purchasing these tickets and reselling them at higher prices, the Accounting Officer stated that a complaint had been lodged with the Inspector General of Police regarding the matter.

Railway Department officials further stated that additional train services have already been introduced for high-demand train routes. The officials stated that the Railway Department has not suffered any loss due to measures such as changing the refund policy for tickets, limiting the number of seats that can be reserved with one ID number, limiting the number of seats that can be reserved through the introduction of an OTP system, and considering both the journey to the main destination and the

return journey when determining the price of a seat on the Ella-Odyssey train.

c. Observations of the committee

The committee observed that the measures taken by the department are effective, and that no loss has been incurred by the Department of Railways as a result.

d. Recommendations of the committee

The Committee did not make a recommendation for this audit matter.

e. Reporting to the committee on the progress of implementation of recommendations

Not applicable

27) Implementing a joint project on the railway network in collaboration between Hutchison Telecommunications Lanka (Pvt) Ltd and the Department of Railways.

❖ Date of Examination – 05.06.2025

a. Matters discussed (As per the Auditor General's observations)

The audit pointed out that the project to lay Fiber Cables along the Sri Lanka Railways' lines from Slave Island Railway Station to Peralanda Railway Station (up to 20 km of Puttalam line) and

from Maradana Railway Station to Panagoda Railway Station (up to 30 km of Kelani Valley line) as a partner in a joint project of the Sri Lanka Railways, on a proposal from Hutchison Communication Lanka (Pvt) Ltd., had not been properly carried out, covering the technical, environmental and financial aspects, and that work had commenced before formal legal approvals had been obtained and written agreements had been entered into. The audit pointed out that the existing railway line's cable system had been damaged during excavation work for cable laying under this project, resulting in damage to the signal system, the losses related to that damage had not been assessed and recovered from the relevant institution and the progress of the project had not been reported to date.

b. Clarifications of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

The Chief Accounting Officer stated that the project had been carried out in accordance with proper procedures, with the approval of former secretaries. He also emphasized that a prompt decision should be made regarding whether to continue the project on the Kelani Valley line.

c. Observations of the committee

The committee observed that there are numerous benefits that can be gained by the Department of Railways from this project.

d. Recommendations of the committee

It was recommended to the Chief Accounting Officer and the Accounting Officer to complete the project on the Puttalam line as soon as possible.

e. Reporting to the committee on the progress of implementation of recommendations

- Out of the total 50 km project, 20 km from Slave Island to Peralanda as the Puttalam road section and 30 km from Maradana to Panagoda as the Kelani Valley road section were to be laid, and the Puttalam road section had been completed from Peralanda to Dematagoda,

- The Secretary to the Ministry of Transport, Highways and Urban Development has approved the completion of the section from Peralanda to Dematagoda by letter No. MT/04/14/03/01-2025 and dated 07/10/2025 (Annexure 25 - I), and accordingly, Hutchison Telecommunication Lanka Pvt. Ltd. has been informed to complete that section by letter No. T.03/DPC/Misc/2025 and dated 27/10/2025 (Annexure 25 - II),

The report submitted by letter MT/04/14/03/01-2025 and dated 13.11.2025 has been submitted to the Committee under Annexure 19.

28) Railway transportation and onboard facilities.

❖ Date of Examination – 05.06.2025

a. Matters discussed (As per the Auditor General’s observations)

The audit observed that the train that was to run from Batticaloa to Colombo on January 25, 2025, as per the scheduled time table, had not been operated due to insufficient accommodation facilities for the two railway guards, and that accommodation facilities had been provided to two guards in the form of one room, and that the train had been operated to Colombo without passengers on January 26 without a scheduled time table, and that an income of Rs. 600,000 had been lost due to the cancellation of the train. The Department had not studied the damage/impact caused to the Railway Department, passengers and other parties due to the train not running as per the scheduled time table on the scheduled date and taken the necessary measures accordingly, and that the necessary measures had not been taken to prevent such situations from occurring in the future.

b. Clarifications of the Chief Accounting Officer (CAO) / Accounting Officer (AO)

Officials of the department stated that when purchasing new train sets, orders have been placed for sets equipped with toilet systems. They also noted that provisions have already been made to clean

the existing train toilet systems at the railway stations in Kandy, Nanu Oya, Maho, and Anuradhapura.

c. Observations of the committee

The committee was of the view that by improving facilities, a larger number of passengers could be attracted to the railway passenger transport system, thereby increasing revenue.

d. Recommendations of the committee

1. It was recommended to the Accounting Officer of the Railway Department to implement a tender procedure that enables the proper development of restaurants, accommodation, and sanitation facilities, and to establish and submit a mechanism to monitor that process.
2. It was recommended to the Accounting Officer of the Railway Department to promptly develop a system to collect and dispose of toilet waste in a manner that prevents it from being discharged onto the railway tracks.
3. It was recommended to the Accounting Officer of the Railway Department to submit a report to the committee containing details of the total number of engines owned by the department, their current condition, and their potential for reuse.

**e. Reporting to the committee on the progress of
implementation of recommendations**

- A report on restaurants, accommodation, and sanitation facilities has been submitted to the Committee under Annex 19, through letter No. MT/04/14/03/01-2025 dated November 13, 2025.