

Geological Survey and Mines Bureau - 2019

1.1 Adverse Opinion

The audit of the financial statements of the Geological Survey and Mines Bureau for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and the Financial Act No. 38 of 1971 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, due to the significance of the matters described in Paragraph 1.5 of this report, the accompanying financial statements do not give a true and fair view of the financial position of the Bureau as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Adverse Opinion

I express an adverse opinion based on the matters described in Paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bureau's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Bureau or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bureau's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bureau is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Auditor's Responsibility in Auditing Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the structure and content of the financial statements, including disclosures, and the transactions and events on which the content is based are appropriately and fairly included in the financial statements.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Bureau, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Bureau has complied with applicable written law, or other general or special directions issued by the governing body of the Bureau ;
- Whether the it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The audit observations with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under these headings.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with the Standard	Reference to	Comments of Management	the Recommendation
(a) Since the net cash flow generated from operations, investments and financial activities as stated in the cash flow statement as the Cash Flow Statement had been overstated by a sum of Rs. 1,010 million because of the cash flow statement had been prepared non-compliance to the Sri Lanka Public Sector Accounting Standards 02, the financial statements submitted with the cash flow statement could not be accepted at audit.		The revised cash flow statement has been prepared by now and steps will be taken to prevent such errors in the cash flow statement from next year.	Actions should be taken in accordance with the requirements of the Standard.

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| (b) | Although the assets of machinery and equipment, drilling equipment and field equipment were re-valued during the year under review, necessary disclosures had not been made in accordance with paragraph 90 of the Sri Lanka Public Sector Accounting Standards 07. | Actions will be taken not to occur such errors from next year. | -do- |
| (c) | Although the external parties had filed 46 cases against the Bureau and the Bureau had filed 14 cases against the external parties at the end of the year under review, the disclosures in the financial statements regarding the relevant liabilities had not been made in accordance with Sri Lanka Public Sector Accounting Standards 08. | It is informed that the arrangements will be made to reveal with the accounts in future. | -do- |
| (d) | The value of the stock in hand had been stated in the financial statements at the cost of it amounting to Rs.33,314,238 without identifying the net realizable value of the stock in accordance with Paragraph 15 of Sri Lanka Public Sector Accounting Standards 09 . | Arrangements will be made to account for the lower value of cost of stock in hand or net realizable value of the Bureau from next year. | do- |
| (e) | Royalty Income had been identified on cash basis and stated as Rs. 2,477 million in the financial statements in contrary to the Sri Lanka Public Sector Accounting Standards and the accounting policy followed to identify the Royalty income had also not been disclosed in the financial statements in terms of Paragraph 39(a) of the Standard. The field inspection fee charged at the time of obtaining the license application had been identified as income at the same time, without considering the completion condition of a transaction involving on the provision of | The Royalty pertaining to the year cannot be predicted until the production volume relating to the excavation permit is submitted to the Bureau by the licensee. The Bureau is unable to account for the Royalty on accrual basis because of this practical problem. | -do- |

services. As a result of the refusal of issuing of licenses, a sum of Rs.996,820 had been refunded at 78 times during the year under review.

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| (f) | Instead of the calculation of minimum lease value for 10 motor vehicles purchased on lease basis on discounted present value, in accordance with Sri Lanka Public Sector Accounting Standards No. 12, it had been brought to accounts as the non-discounted value of Rs.102,600,000. | It is informed that the arrangements will be made to do the relevant corrections from the year 2020. | -do- |
| (g) | Prior year adjustments amounting to Rs.95,060,498 had not been retrospectively disclosed in the financial statements as per Paragraph 54 of Sri Lanka Public Sector Accounting Standards 03 and the expenditure for the year under review amounted to Rs.1,877,992 had been stated as a prior year expenditure. | Actions will be taken to make necessary adjustments considering each prior year adjustments in future accounting years. | -do- |

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Since all mineral resources are owned by the Government of Sri Lanka in terms of Section 26 (1) of the Mines and Minerals Act No. 33 of 1992, the Royalty collected by the Bureau should be credited to the Consolidated Fund. Thus, instead of deducting the amount of Rs. 1,190 million by the Bureau from the Bureau's revenue during the year under review, it had been stated in the financial statements as payments made	Although only Rs.550 million had been allocated to the Treasury for 2019, this money has been given from the money invested in fixed deposits since the funds should be provided for the needs of the government. Since the money so given cannot be recorded as an expense for the year under review, the approval has been obtained to record this as a payment made for the year 2020 in	It should be accurately accounted for.

in advance. Therefore, the profit of the Bureau for the year under review was overstated by that amount.

the cash accounts by making aware of the Board of Directors and the Department of Public Enterprises in this regard.

- (b) Instead of accounting for the Kurunegala Regional Office Building and the purchasing cost of the land on which it is located amounted to Rs.28,000,000 by being identified separately as lands and buildings, it had been accounted for under the lands and the provisions for depreciation also had not been made for the building. Assessment fees, registration fees and stamp duty incurred on purchase totalled to Rs. 1,238,200 had been shown as expenses instead of capitalizing.

It was noted to be accurately accounted for in future.

Arrangements should be made to adjust to the relevant accounts and to make provisions for depreciation of the building.

1.5.4 Unauthorized Transactions

Audit Observation

Although incentives should be paid based on the mineral exploration income, the incentives amounted to Rs.111,592,069 had been paid based on the field inspection revenue amounting to Rs.13,588,600 and test explosion revenue of Rs. 4,812,000. The approval of the Board of Directors or the approval of the Treasury had not been obtained for the performance incentive scheme prepared by the Bureau and the incentives amounted to Rs.62,482,407 had been paid in the year under review without any performance appraisal.

Comments of the Management

The approval of the Board of Directors has also been obtained to pay incentives based on the approval given by Treasury Letter No. PEI / 000/6 (Incentive) dated 02 August 1996. The Bureau has systematically made the payment of these incentives.

Recommendation

Actions should be taken to obtain the relevant approvals.

1.5.5 Consolidation

Audit Observation	Comments of the Management	Recommendation
(a) A 66 per cent of total share capital of GSMB Technology Services Company that is, an ownership of the total net assets amounted to Rs.226,727,773 out of the total net assets of Rs.343,526,929 is owned by the Bureau, Consolidated Financial Statements had not been furnished in conjunction with the Financial Statements of the Company's Financial Publications Bureau.	The approval of the Department of Inland Revenue had not been given its approval to revise its financial year from January to December to GSMB Technology Services Company in the year 2019. It will be possible to furnish financial statements in consolidation with the financial statements of the Bureau from the year 2020 since the approval for this has been received for the year 2020.	Consolidated financial statements should be prepared.

1.6. Accounts Receivable and Payable

1.6.1 Accounts Receivable

Audit Observation	Comments of the Management	Recommendation
Instead of deducting the provisions for bad debtors amounting to Rs.5,097,526 from trade and receivables in the year under review, it had been shown as the creditors and payables under the liabilities.	It is informed that the actions will be taken to deduct the provisions for bad debtors from the receivables in future.	Bad debtors should be deducted from the amount receivable.

1.6.2 Advances

Audit Observation	Comments of the Management	Recommendation
An advance of Rs.1,500,000 had been issued to the Chairman in the year 2014 for a public awareness	Legal actions are being taken against those who obtained money for the recovery of this amount.	Actions should be taken to settle the advances.

programme on the role of the Bureau and completion of the relevant activity with regard to that or settlement of advance had not been carried out.

1.7 Non-compliances with Laws, Rules, Regulations and Managements Decisions

Non-compliances with Laws, Rules and Regulations	Non-compliances	Comments of the Management	Recommendation
(a) Mines and Minerals Act No. 33 of 1992			
(i) Section 52(2) and Mining and Excavation Order No. 21(a) as amended by Gazette Notification No. 958 of 10 January 1997	Although actions should be taken to rehabilitate the lands after the excavations, actions had not been taken to make that activity accomplished by 874 industrial mining licensees. Although the bank guarantees on which the validity period had exceeded from 2 months to 09 years obtained from licensees amounting to Rs.156,275,430, had been converted to money, it was stated in the financial statements as a balance payable without being used that money for land rehabilitation.	The land should be rehabilitated after excavating as per the land reforms plan submitted. As a commitment to that an agreement is signed on a bank guarantee. The bank guarantees of the licensees who do not carry out rehabilitation activities as required is acquired by the Bureau and relevant bank guarantees is released after rehabilitation.	Actions should be taken in accordance with the Provisions.
(ii) Mining and Excavation Order No. 33(4) as amended by Gazette Notification No. 958 of 10 January 1997	Steps had not been taken to make timely revisions in relation to these works by making recommendations to the Secretary for the determined market value of the mining products, allowable deductions and a Royalty payment scheme.	Necessary steps are being taken to make relevant amendments in this regard.	Actions should be taken in accordance with the Provisions.

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| <p>(b) Section 2(e) of the Mines and Minerals (Amendment) Act No. 66 of 2009</p> | <p>As a result of lack of introduction of the measures to be used to add value to minerals by the Bureau, graphite, mineral sand and quartz which were mined were being exported as raw material without adding a value.</p> | <p>The decisions those need to be taken on value addition for minerals have been submitted to the Ministry. There, study and report on factors affected to the value addition process for mineral sands, graphite and vein quartz, identify obstacles available, identify weaknesses in the value addition process and suggestions for overcoming them and making attempts to file local trends into "mineral policies" in terms of value addition have been carried out.</p> | <p>Actions should be taken in accordance with the Provisions of the Act.</p> |
| <p>(c) Section 6.2(c) of Part II of the Gratuity Payments Act No. 12 of 1983 and the Letter of the Secretary to the Ministry of Mahaweli Development and Environment No.02/09/01/AM PA/2018 dated 05 July 2018</p> | <p>Although the gratuity should be paid on the basis of half a month's salary as per the Act, a sum of Rs.8,352,114 had been overpaid to 21 employees who had resigned during the period 2016-2019 on the basis of a full month's salary and a provision of Rs.159,753,034 had been made for the payment of gratuity based on the full month's salary. Even though the Director General of the Department of Public Enterprises had instructed on 10 May 2018 to recover the overpaid gratuity, the amount had not been recovered.</p> | <p>The Bureau has acted in accordance with the Gratuity Act and it had been confirmed by the Department of Labour as well. Accordingly, since there was no overpayment had been made the recovery is not required. The Committee on Public Enterprises has also recommended that to submit all relevant approvals to the Treasury and to obtain the approval. Such activities are being carried out by now.</p> | <p>Action should be taken to pay the gratuity in accordance with the provisions of the Act and recover the overpayments.</p> |
| <p>(d) Section 2(1)(a) of the Value Added Tax Act No. 14 of</p> | <p>The Value Added Tax had not been levied from customers in the revenue</p> | <p>Actions have been taken to pay VAT for all earnings at present.</p> | <p>Action should be taken to identify responsible</p> |

2002	<p>collection in field inspection for the period 2011 to 2014. The relevant Value Added Tax mounted to Rs.93,068,185 had been paid to the Commissioner of Inland Revenue during the year under review and that amount was a loss occurred to the Bureau. Arrangements had not been made to identify the responsible officers and to take necessary actions for that.</p>	<p>officers and to take necessary actions.</p>
<p>(e) Extraordinary Gazette Notification No. 772/22 dated 24 June 1993 issued by the Minister of Environment in terms of Section 23V of the National Environmental Act No. 47 of 1980 as amended by Act No. 56 of 1988</p>	<p>Although it should not mine on the surface of the earth exceeding 10 hectares of the cumulative area in mining and mineral extraction, the mining license No. IML/A/HO/1623 had been issued for the mining of mineral sand in an area of 18 hectares in contrary to that.</p>	<p>Orders on issuing of License under this Act have been issued by Gazette Notification No. 772/22 dated 26 November 1993. Prior to the issuance of the gazette notification and the Act, the Ceylon Mineral Sands Company has been conducting mechanical excavations and a grace period had been given to the licensees who were mechanically excavating at that time to obtain licenses by that gazette notification. Accordingly, there was a legal impediment to the issuance of these mining permits for an area of more than 10 hectares which have been maintained for more than 20 years at that time.</p> <p>Actions should be taken in accordance with the Provisions.</p>
<p>(f) Financial Regulation 757(2) And 507(3) of the</p>	<p>Board of Survey on Fixed Assets cost at Rs.1,208,686,416 had not been carried out and the</p>	<p>Board of Surveys have been carried out and the relevant reports have been submitted by now. Actions should be taken in terms of Financial Regulations.</p>

	Democratic Socialist Republic of Sri Lanka	Board of Survey Reports had not been submitted for audit.		
(g)	Financial Regulations 371(2)(b) and 371(5) as Amended by Public Finance Circular No. 03/2015 dated 14 July 2015	The deficiencies such as providing advances up to Rs.810,000 in 70 cases in excess of Rs.100,000, issuing advances to 6 non-executive employees, issuing advances up to Rs.200,000 to contract employees, withholding a sum of Rs. 8,600,845 by one officer due to re-issuing of the advances despite the advances obtained had not been settled , delay of settling of advances obtained at 21 occasions with a delay of 1 year to 1 month were observed.	The advance of Rs.810,000 has been provided for the implementation of the Green Sand Ferry Programme and it had been settled by 30 June 2019. Heads of all divisions of the Bureau have been informed to make arrangements to pay advances only to staff officers.	Actions should be taken in terms of Financial Regulations.
(h)	Sections 31.11 and 31.15 of Chapter XLVIII of the Establishments Code	Disciplinary inquiries have been initiated against two officers who have been suspended since 17 August 2017 on criminal charges and a half salaries amounting to Rs.1,386,394 and a professional allowance of Rs. 184,113 for one officer and incentive and bonus amounting Rs. 505,485 had also been paid pertaining to the period of interdicted. These officers were reinstated with effect from 15 August 2019 with the approval of the Board of Directors without a disciplinary inquiry order.	It had to act as per the Decision of the Board of Directors. Further, due to it has taken long time to complete the formal disciplinary inquiry conducted for the relevant officers, and it has been decided to pay half of the salary considering the allegations made against them in the charge sheet and their requests. It will be looked into professional and bonus payments and reported furthermore.	Actions should be taken in accordance with the Provisions and arrangements should be made to recover payments that are contrary to the laws and rules.

- (i) Public Enterprises Circular No. PED/12 dated 02 June 2003
- (i) Paragraph 6.5.3
- (ii) Paragraph 8.3.3
- (j) Public Enterprise Circular No. PED/17 dated 28 October 2003
- (k) Sections 03 (iv) and 03 (v) of the Election Commission Circular No. EC/EDR/PRE/IN Q dated 30 September 2019 and Public Administration Circular No. 29/2019 dated 18 September 2019
- The Annual Reports for the years 2017 and 2018 had not yet been tabled in Parliament even by 30 June 2020.
- Although the maximum incentive / bonus payable is the 02 months' gross salary, on the contrary an incentive equal to the salary of 08 months had been paid to the employees without obtaining the approval of the Treasury.
- Twelve officials had participate in 07 foreign trips without the approval of the Treasury.
- More than 146 vacancies have been confirmed since 01 October 2019 and 05 employees in the post of Technical Assistant who are not included in the approved service categories and two employees who had not fulfilled the conditions for confirmation had also been confirmed.
- Annual reports for the years 2018 and 2017 currently in printing process and proceedings will be expedited.
- PED 12 refers to payment of incentives not regarding the bonuses.
- Only incidental allowances, visa fees, warm clothing allowances and course fees have been paid for these officers. Combine allowances have not been paid. The approval of the Department of Public Enterprises is not required as the overseas limit does not exceed 30 days.
- Arrangements have been made to publish advertisements in the newspapers regarding the recruitment for all the vacant posts by now.
- Actions should be taken in accordance with the Provisions in the circular.
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- (l) Letter No. DMS/1625Volum eII dated 23 December 2016 of the Director General of Management Services. An incentive of Rs.3,657,843 had been paid to the employees of GSMB Technology Services despite the absence of the relevant terms and conditions from the in the GSMB employee enrolling agreement. Since the employees who work on the contract assignments basis also contribute to the Bureau's revenue, they have been paid incentives with the approval of the Ministry of Finance and the Department of Management Services. Actions should be taken in accordance with the Provisions.

2. Financial Review

2.1 Financial Results

The financial result of the year under review was a surplus of Rs.158,266,318 and the corresponding surplus for the preceding year was Rs.391,019,540. Accordingly, a deterioration of Rs.232,758,222 was observed in financial results. The increase in income tax by Rs.98,785,974, administrative expenses by Rs.122,141,847 and decrease in Royalty Income by Rs.2,338,784,035, financial income by Rs.95,173,537 and project income by Rs.28,713,738 had mainly attributed for this deterioration.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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(a) The Royalty amounted to Rs. 4,213,320 that should be charged for 210,666 cubes of gravel used for development projects in the Anuradhapura District in the years 2017 and 2018 had not been recovered.	Permits have been obtained from various government agencies in the Anuradhapura District to dig soil and gravel for various development projects. The Bureau has charged Royalties for the size of cubes approved under those licenses.	Actions should be taken to recover the relevant Royalties.
(b) The technical errors occurred in the implementation of the field inspection monitoring system purchased 3 years ago at a cost of Rs.1,176,552 to supervise the work of field inspectors had not been rectified and the expected supervision had also	As there are shortcomings in this software, the company that set it up has been informed to update it again as required by the Bureau.	Actions should be taken to conduct supervisions and to submit reports.

not been carried out properly through the system.

- (c) Actions had not been taken until the date of audit to formulate and approve a national policy on mineral resources as per the notification issued by the Cabinet of Ministers on 09 August 2017. It has been submitted to the Ministry on 14 July 2018 after completion of policy formulation activities by the Bureau. It has been handed over to the Ministry of Science and Technology to be presented as a General Cabinet Memorandum after obtaining the approval of the Secretary to the Ministry. Actions must be taken to obtain the approval for the National Policy on Mineral Resources.
- (d) The approval of the Department of Wildlife Conservation, Central Environmental Authority, Department of Irrigation, Department of Archaeological Department and Sri Lanka Mahaweli Authority had not been obtained in issuing mining permits for the removal of sand deposits in the Mahaweli River in Thummodara area Kantale and Suriyapura. Prior to issuing permits for sand deposit removal, the exact amount of sand to be removed has been estimated and the sand permit has been issued with the primary objective of constructing a dam to control floods subject to the recommendations of other institutions. Actions should be taken to obtain the relevant approvals.
- (e) The Exploration Permit No. EL/222 and the excavation license No. IML/A/ HO /13219 had been issued for the Karasnagala Graphite Mining Project in contrary to the Order No. 4(1) of the Mining (Licensing) Order No. 1 of 1993 to a Company which did not have sufficient financial ability. The existing agreement of the Company with the Board of Investment of Sri Lanka had not been examined in terms of the Foreign Exchange Order No. 2045/56 of 17 November 2017 on the issuance of the above mining license and the renewal of the exploration license. The company had received the approval of the Board of Investment of Sri Lanka at the time of issuing the license and a letter has been sent to the Board of Investment to check the validity of the Board of Investment furthermore. Further, if this license has been issued due to a mistake, actions will be taken to prevent such errors in future. Actions should be taken in terms of Provisions.

- (f) Although shortcomings and weaknesses in the Kahatagaha Graphite Mine have been pointed out from time to time by joint inspection reports, those shortcomings and weaknesses had not been rectified by Kahatagaha Graphite Company and the Bureau had renewed the excavation permit without considering it. The License issued to Kahatagaha Graphite Company has been issued with conditions and due to non-compliance with the relevant conditions, the license has been issued for excavation under the supervision of the Bureau. Actions should be taken to rectify the shortcomings.
- (g) A methodology providing license had not been formulated for the transportation of granite products in accordance with Section 28 (4) of the Mines and Minerals Act No. 33 of 1992. Issuance of transport permits for the transportation of sand, soil and clay had been suspended from 04 December 2019 to 16 March 2020 as per Cabinet Decision No.19/ Miscellaneous(064) dated 13 December 2019 in contrary to the relevant provision. The Royalties were being charged in the issuance of transport licenses for these minerals and an alternative methodology had not been introduced to recover Royalties from miners in the event of revocation of transport licenses. The law regarding transport licenses is being enforced on an order issued by the Supreme Court to the Inspector General of Police at the moment. Actions should be taken in accordance with the provisions of the Act.
- (h) Although the Bureau has the power to collect, process, analyze and publish data related to the mineral resources of Sri Lanka in terms of Section 44(h) of the Mines and Minerals Act No. 33 of 1992, there was no formal procedure or delegation of responsibility for that. An Annual Mineral Report in detail is prepared regarding the data collection, analysis, preparation and publication by the Bureau. This has issued until the year 2015. This has not happened due to some delays and all those reports are currently being prepared. Actions should be taken in accordance with the provisions of the Act.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) A total of Rs. 27,419,690 for 1,343,810 cubes of soil 3,397 cubes of sand used for the construction of the Yanoya Reservoir Project amounted to Rs.26,876,200 and Rs.543,490 respectively had not been recovered from the contracted company.</p>	<p>The Bureau has also sent several letters to the Department of Irrigation with copies to the relevant company requesting payment of arrears. In addition, reminder letters have been sent.</p>	<p>Action should be taken to recover the relevant Royalties.</p>
<p>(b) Due to the fact that the Royalties had been charged considering twice as much excavation as the amount of explosives used without following a scientific method to determine the extent of quarrying, the Royalties had been recovered in less. Sixty five per cent of the approved amount mentioned in the excavation permits for granite in 2016, 2017 and 2018 that is, an amount of Rs.1,427,174,239 in less had been collected.</p>	<p>The licensees have been made aware of regarding the relevant Royalty charges and legal actions had been taken against unpaid Royalties to recover the Royalties.</p>	<p>Actions should be taken to recover the relevant Royalties.</p>
<p>(c) As a result of issuing 03 mining licenses for a period of 09 years and 6 months in Pulmudai, Thevikkalu and Koduwakattu areas to mine mineral sands and 03 licenses for a period of 10 years to 2 private companies in Sampur, Palachchenai and Verugal for the mining of mineral sands, to Ceylon Mineral Sands Company, the approval which should be obtained annually from Coast Conservation, Urban Development and Local</p>	<p>The Bureau had issued licenses with conditions to Ceylon Mineral Sands Company for mining of sand in Pulmudai Thevikkalu and Koduwakattu areas. The Bureau had later instructed them to apply for a license for the unauthorized area as the excavation had exceeded the area approved by the relevant institution. The company is in the process of obtaining a license by now. It has not been reported to the Bureau that mineral sand is</p>	<p>Legal actions should be taken in respect of violation of the license conditions and excavations carried out without a license</p>

Government Institutions had not been obtained and the necessary regulations to be conducted had not carried out. Even though the Ceylon Mineral Sands Company has excavated in violation of the conditions of licenses and beyond the permitted areas, action had not been taken in this regard. Legal actions had been taken against three private parties for unauthorized excavating of 142,486 metric tons of mineral sand from other lands without a license and selling it to the Ceylon Mineral Sands Company.

A license had been issued to mine mineral sand in the Sampur area in the Trincomalee District to a company with 75 per cent ownership to foreigners which had not entered into a project agreement with the Board of Investment of Sri Lanka (BOI) in accordance with the Gazette Notification 2045/56 dated 17 November 2017.

being mined from the lands by 03 private parties.

- (d) The Royalties were charged at a lower value due to the fact that based on an adjusted price by adding local transport charges to the value at which the minerals are sold locally, instead of levying Royalties on FOB value in accordance with Mining Order 33 as amended by the Extraordinary Gazette Notification 18/33/11 dated 23 October 2013 on Mineral Sand Exports. As a result, the Sri Lanka Customs had also based on that adjusted price as the export value and had levied customs duties in less.
- Actions have been taken to compute the relevant Royalties under the Act and Regulations.
- The Royalties should be charged in accordance with the Mining and Excavation Order.

3.3 Transactions in Contentious Nature

Audit Observation	Comments of the Management	Recommendation
A sum of Rs. 2,581,633 had been paid by get prepared a Corporate Plan and an Action Plan for the period of 2019-2023 through a selected company without following the procurement process.	The Department of Public Enterprises had instructed the Bureau since the Corporate Plan had not been prepared after the year 2017 and to prepare a Statement of Institutional Intent and for the next 3 years. This Plan has been get prepared by a professional body with the approval of the Board of Directors due to the lack of officers to be deployed in the Bureau to carry out that function. Actions will be taken to avoid such a situation in future.	Arrangements should be made to take actions in respect of not using public money frugally.

3.4 Idle or Underutilized Property Plants and Equipment

Audit Observation	Comments of the Management	Recommendation
An electronic distance measuring instrument purchased in the year 2016 to measure the capacity of a mineral deposit for Rs.795,000 had been in idle for 03 years without being utilized and a number of 43 toner units worth Rs.601,640 purchased for the currently unused printers of the Bureau had remained unusable.	Necessary steps will be taken looking into in this regard.	Arrangements should be made to utilize the assets effectively.

3.5 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) A total of Rs. 4,556,463 had been paid for the construction of a security fence completed in three phases that should be done as a single function around the Gampaha Regional Office and the land where the warehouse is located. In the first phase, the bids had called only from the Land Reclamation and Development Company and assigned to that Company without entering into an agreement and the other two phases had been given to a farmers' organization by calling bids.. In this case, Sections 4.3, 6.3.3, 7.3.4 (b), 8.13.3 and 8.13.4 of the Procurement Guidelines had not been complied with.</p>	<p>Relevant corrections have been made by now.</p>	<p>Actions should be taken in accordance with Procurement Guidelines.</p>
<p>(b) A land and a building had been purchased at a cost of Rs. 28,000,000 to establish the Kurunegala Regional Office without considering of the requirement. Due to the fact that the building was not suitable for the purpose, an additional payment of Rs. 1,080,000 had been incurred by maintaining the office at a monthly rent of Rs. 90,000.</p>	<p>It will be looked into in future regarding the matters stated.</p>	<p>-do-</p>
<p>(c) A rock sample archive and a laboratory had been constructed at a cost of Rs.6,619,672 at the Regional Office premises in Gampaha in contrary to the Procurement Guidelines and 02 out of the 03 rooms built on the ground floor had been reserved for officers without being utilized for the relevant work.</p>	<p>It will be looked into in future regarding the matters stated</p>	<p>-do-</p>

3.6 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
<p>The approved staff of the Bureau was 510 and being the actual staff 701, there were 233 excess staff in 14 posts and there were 42 vacancies in 34 posts. Excess staff was deployed without a need assessment. There were no permanent employees in the 17 top management level posts and 22 vacancies had remained. Nine employees had been recruited for 8 unapproved posts.</p>	<p>Arrangements have been made to publish advertisements in the newspapers regarding the recruitment for all the vacant posts.</p>	<p>Recruitments should be made for the posts as per requirements.</p>

4. Accountability and Good Governance

4.1 Action Plans

Audit Observation	Comments of the Management	Recommendation
<p>(a) Due to non-preparation of Annual, Bi-annual and Quarterly Performance Reports of each division of the Bureau, it was impossible to check the performance of the activities included in the Action Plan for the year under review.</p>	<p>The Annual, Bi-annual and Quarterly Performance Reports prepared by each division of the Bureau were overseen by a member of the Board of Directors.</p>	<p>Performance Reports should be prepared and submitted for audit.</p>
<p>(b) The roles of focusing on alternative raw materials for construction, to minimize the environmental hazards in the mining sector, to add value to the mineral extraction and products based on it, plans to investigate and find solutions to social and environmental problems which were specified in the recruitment schemes as the duties of Director (Mineral Survey) and Director (Mine Safety) posts had not been</p>	<p>The Director (Mineral Survey) and the Director (Mine Safety) have been given duty lists related to the recruitment procedure.</p>	<p>Responsibilities should be included in Action Plans and arrangements should be made to accomplish them.</p>

included in the Annual Action Plans or implemented. Even though it had assigned to the Director (Environmental Impact Assessment) to follow the environmental impact assessment methods in the implementation of projects, actions had not been taken with relevant to that.