

GSMB Technical Services (Pvt) Limited - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the GSMB Technical Services (Pvt) Limited for the year ended 31 December 2021 comprising the Statement of Financial Position as at 31 December 2021 and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year 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 Finance Act, No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for the Qualified Opinion

My opinion is qualified based on 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 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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, it 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 of the Company.

1.4 Responsibility of Auditor regarding the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation ;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Internal Control on Preparation of Financial Statements

Company is 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.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

Audit observation	Management Comments	Recommendation
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(a) It was overpaid the total amount of Rs.20,554,846 as Rs.16,235,670 in the prior year and Rs.4,319,176 in the year under review by the Company than the amount collected for the construction safety dam under the Kanthale Project and, those amounts had been debited to the account of “Advance Kanthale” without accounting as expenses.	It is expected to complete the Kanthale Sand Project in this year and, actions will be taken to write off the overpaid amount for safety dams from the profit as an expense after selling the all quantities of sand cubes in there.	The income and expenses should be stated in the accounts properly and, actions should not be done to expense more than income.
(b) Although the non-current assets with cost of Rs.79,803,562 that were fully depreciated had been used continuously by the Company as per Paragraph 17.19 of Sri Lanka Accounting Standard for Small and Medium Sized Enterprises, actions had not been taken to revalue the useful life time and scrap value of the assets in order to present the fair value in the financial statements.	We have identified few items that could have material impact between net book value and fair value. Actions will be done to revalue only the motor vehicles and machineries that could be considered as the market value was changed in higher percentages by now. However, the required actions are being taken to conduct the revaluation process only for high valued motor vehicles and machineries	It should be acted in accordance with the accounting standards.

mentioned above under the proper mechanism without considering the fixed assets that incur more cost for the revaluation process than the value of the fixed assets.

- (c) The value of the outstanding sand stock had been stated in the accounts as Rs.12,123,460 based on the book balances without conducting physical verification of sand stocks that prevailed in the sand projects in the Company at the end of the year under review.
- The physical stock as at 31 December 2021 had been given to us by each officer in charge. However, future actions will be taken on the stock balances shown in the projects that not done the operations currently by paying attention of Board of Directors.
- It should be verified the accuracy of the stocks by verifying the stocks physically.
- (d) A contract of providing engineering services of Rs.43,954,503 had been received to the Company. Rs.13,198,351 out of it had been received during the year under review and, this amount was credited to an advance account. The company had paid Rs.8,404,546 for another company for the fulfillment of works of this project and Rs.1,745,004 as transport expenses and salary for officers in the company and, these values were accounted as expenses in the financial statements without proper identification of income and expenses of the Company.
- It took time until first week of March 2022 to resolve the matters related to tax exemptions for this project and, the final accounts was prepared before that. Due to that, it had been accounted the cash receipts until 31 December 2021 to advance account and the costs incurred until that as the expenses in the current year. Advance amount received currently had been taken into income in the month of April percentage wise based on levels of completion of project tasks after resolving tax issues.
- The correct values should be stated in the financial statements by identifying income and expenses accurately.
- (e) The amount of tax paid in cash in the year under review was Rs.7,016,486 and, it was overstated by Rs.7,719,430 as Rs.14,735,916 in the Cash Flow Statement.
- The amount of tax paid by us as per Cash Flow Statement was stated as Rs.14,735,916 and, it was paid Rs.7,016,486 for two quarters in year 2021 under self-assessment method. The two quarters under self-assessment method were not paid as such due to prevalence of excess tax paid on the self-assessment basis until that and having previous year loss.
- The cash expenses should be included in the Cash Flow Statement.

1.7 Receivables and Payables Accounts

1.7.1 Receivables

Audit observation	Management Comments	Recommendation
(a) The balances receivable from and payable to Geological Survey and Mining Bureau were stated as Rs.4,698,378 and Rs.1,513,857 respectively in the accounts. Those amounts were Rs.3,267,161 and Rs.27,360,000 respectively as per the confirmations of the Bureau. Accordingly, it was observed a difference of Rs.1,431,017 and Rs.25,846,143 respectively.	According to the actions to be taken at the end of the discussions to be held at the initiative of the chairman in order to come to an agreement with both parties on balances that should be receivable from the Geological Survey and Mining Bureau and payable to them, the recovery, set off or write off will be done.	The receivable and payable balances should be settled by coming in to an agreement with both parties.
(b) The Amount of Rs.7,012,211 that should be charged from Geological Survey and Mining Bureau had been provisioned for impairment losses without examining the ability of debt recovery.	-Do-	Actions should be done to recover.
(c) Sum of balances over 05 years that should be charged from public entities in the debtor balances of Rs.51,096,767 in the year under review was Rs.16,762,257 and, it was failed to recover these balances by the audited date of 31 March 2022.	The actions that should be taken on these balances based on not sending reply letters by most of the public entities were uncertain and it was possible to demand the balances strictly due to the weaknesses in the existing documents. However, it appears that there is no other option but to write off these balances based on the instructions of the Board of Directors.	-Do-
(d) Mulathiv Gravel Project had been ended in year 2015 and, although it was requested on 10 August 2014 to return the amount of Rs.400,000 that was deposited to Mulathiv District Forest Officer in year 2014 for this project, it had not been given.	Although it was given verbal consent to release the balance, it was not paid yet and, actions are being done in this regard continuously.	-Do-

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| (e) | An amount of Rs.999,946 by the Company for 1423 cubes had been paid to Department of Forest Conservation for the sand mining in Yan Oya Project and, only 974 sand cubes had been mined out of it. this project was not continued after year 2018 and, although it was requested on 01 December 2021 to pay back the excess paid amount of Rs.454,506 for 449 sand cubes, it had not been given. | Although we made requests as a public entity, it was informed that it was difficult to pay as per their policy. | -Do- |
| (f) | An amount of Rs.400,000 had been paid by the Company in year 2018 for a consultant that conducted an evaluation on human resource requirement and trainings of Geological Survey and Mining Bureau and this amount had not been recovered from the Bureau so far. An amount of Rs.150,000 that paid by the Company for Yan Oya Project office, Yan Oya building and employee accommodation had not been recovered from the Geological Survey and Mining Bureau. | Although it had been informed in writing with all relevant documents at several instances to recover the amount to be received from Geological Survey and Mining Bureau, it was not yet responded for that. It is expected to come into a common agreement by both parties in future. | -Do- |
| (g) | The value of advances of Rs.5,586,101 that exceeded 05 years were included in the advance amount with totaling of Rs.41,161,688 given to the Company by institutions and persons for getting various services from the Company during the period of 2010-2021. These advances had not been settled even by 31 March 2022. | Actions will be done to take an appropriate measure as per instructions of the Board of Directors. | Actions should be done to settle. |
| (h) | An amount of penalty of Rs.1,513,857 to be payable due to the non-payment of royalties to be paid within scheduled time period to the Geological Survey and Mining Bureau in year 2018 for mining licenses obtained for 05 sand projects, had not been paid even in the year under review. | A penalty was imposed by the parent company as such and, although we had requested to remove it, it was not given a favourable response for that so far. | It should be settled by making an agreement between both parties. |

1.8 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to the Laws, Rules and Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Public Enterprises Circular No: PED/12 dated on 02 June 2003			
(i) Paragraph 5.1.2	The existing resources in the entity, organizational structure and targets and responsibilities that should be achieved during the planned period had not been included clearly in the Corporate Plan prepared by the Company.	An organizational structure was not available during the period of preparing Corporate Plan and, it had been referred to the relevant institutions to obtain approval for that by preparing an organizational structure by now.	Actions should be done as per provisions in the circulars.
(ii) Paragraph 8.3.9	Two employees recruited to the Company had been assigned to Ministry of Environment since 10 September 2020 and it had been paid salary and allowance of Rs.283,240 from the Company.	As it was going to establish a consolidated follow-up and media unit within the Ministry for providing wide promotion on the public regarding the projects and programmes that implement in the institutions under Ministry and reviewing of the progress of the projects and programmes that implement in the institutions under Ministry, it had been requested to assign two suitable officers temporary basis to conduct above duties in relation to our company.	-Do-
(b) Articles of Association of the Company			
(i) Section 12	A system for providing updated geo scientific data and information to the new and existing mineral related industries in other places in Sri Lanka had not	The provision of geo scientific data and information requested by any client for mining and mineral industry in Sri Lanka or for another place had been implemented as a commercial	Actions should be done in accordance with Articles of Association of the Company.

been prepared.

project for charging money from the client based on the functions avail in that information exploration project and the Company is able to provide updated information to the relevant date.

(ii) Section 19

Although the provision of management and clerical services for the mineral related and other related industries was an objective, the Company had kept a 10 per cent profit by providing 55 employees to the Geological Survey and Mining Bureau that act as the monitoring entity of minerals in Sri Lanka and that not conducting mineral related industry.

It was stated that employees could be utilized to other entities based on the entity's discretion as stated in the Articles of Association of GSMB Technical Services (Put) Limited. Accordingly, the Company had assigned those employees to that entity based on the written request of Geological Survey and Mining Bureau with a 10 per cent profit.

It should be acted in accordance with the Articles of Association of the Company.

2. Financial Review

2.1 Financial Results

The operating results of the year under review amounted to a profit of Rs.11,509,597 and the corresponding loss in the preceding year amounted to Rs.43,290,584. Therefore an improvement amounting to Rs.54,800,181 of the financial result was observed. The reason for the improvement was the increase in income of Manampitiya, Beliatta and Nidanwala sand projects.

3. Operational Review

3.1 Procurement Management

Audit observation	Management Comments	Recommendation
(a) A Main Procurement Plan had not been prepared as per provisions of Paragraph 4.2 of Procurement Guideline. Although it was planned to procure goods and services amounted to Rs.127,138,489, the goods amounted to Rs.3,386,251 had been purchased and, the	Actions had not been taken to update the Procurement Plan as it was not taken a decision on not to purchase items included in the Procurement Plan until the end of that year. Although the expected procurement activities for minimum 03 years should be listed in the main Procurement Plan as per provisions	The Main Procurement Plan should be prepared as per provisions in the Procurement Guideline.

Procurement Plan had not been updated. in Paragraph 4.2 of the Procurement Guideline, it was quite difficult task according to the nature of the operational activities of our entity.

- (b) A contract of Rs.43,954,503 for engineering survey works of 75 tanks in Mulathiv District under Climate Smart Irrigated Agriculture Project was given to the Company by Ministry of Agriculture in the year under review and, All the works that should be done under this contract was given to another company on joint venture agreement based on the Board approval without calling bids. The Board approval had been taken to present the bids for this project by selecting parties with experts with industry experience and equipment for that and by having joint agreement with them as it supposed that it could take nearly one month if conducting the bid calling process and there was a ability to carry out joint projects as per Company's Mandate. Only engineering survey works were assigned to them and, the full capacity of doing soil testing works, the other work of it, was had with the Geological Division of the entity. It should be followed Procurement Schemes.

3.2 Operational Inefficiencies

Audit observation

Management Comments

Recommendation

(a) Manampitiya Sand Project

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| <p>(i) Although a mechanism of sand mining and issuing had been prepared, it was not issued as an internal circular with the signature of Chief Executive Officer after obtaining the approval of Board of Directors for that.</p> | <p>An Action Guide so as to fulfill the project objectives had been issued by the Senior Management to the project.</p> | <p>The mechanism of sand mining and issuing should be issued as an internal circular.</p> |
| <p>(ii) Several agreements entered in to with ferry holders and the Company for sand mining had not been signed by any persons on behalf of the company and it had not been signed both parties for some agreements. A quantity of sand that should be mined and handed over monthly had not been stated in those agreements.</p> | <p>Actions are being done to sign all updated agreements by the Manager.</p> | <p>Agreements should be completed properly and signed by the relevant parties in order to be legal.</p> |
| <p>(iii) Although the Board approval had been taken to pay Rs.1,000 for sand mining labourers by increasing the</p> | <p>It was an immense issue to obtain a permanent service when carrying out the project by</p> | <p>Actions should be done as per Board approval.</p> |

existed price of Rs.4,830 per 01 cube up to Rs.6,450, an amount between Rs.600 to Rs.800 out of that amount was being paid to the sand ferry holders. The Company's attention had not been paid to impose a control price by combining with Consumer Services Authority for controlling higher sand prices prevailed in the districts out of Polonnaruwa District.

recruiting the direct labourers to this project. The main reasons for that were the issues occurred when providing the required infrastructure facilities need for them. Therefore, the Management had decided to implement this sand mining process again under sand ferry holders existed from year 2008 -2015 that implemented this project more permanently. Accordingly, all payments had been done by the ferry holder to bring labourers to the ferry and provide required infrastructure facilities under the previous method. As it should be received a fair wage for labourers and an amount should be allocated to cover up the expenses for infrastructure facilities provided by the ferry holders, the breakup of the payments done to ferry holder and labourer as such were shown.

(iv) 211 mining licenses had been obtained for this sand project and, although 211 sand ferries should be implemented under that, only 144 sand ferries were in active. Though ferry holders had been appointed for 61 sand ferries, those were not in operational and ferry holders for 06 sand ferries had not been appointed.

As ferries mentioned here were related to the inactive licenses, their operations were expected to commence with the redeposit of sand mines and, the sand productions were being done from these sand ferries by now.

Actions should be taken to maintain at the operational level by appointing ferry holders for ferries.

(v) 85 per cent from the quantity of mined sand under this project had been given under token method and, 60 per cent out of the quantity of sand given under the token method to lorries registered in Polonnaruwa district with 03 cubes and above, 20 percent to lorries below 03 cubes registered in Polonnaruwa, and 20 percent to lorries outside the district were being given. It had been taken 16-21 days for a lorry to receive one

It was a project that takes required actions to issue sand at reasonable price to final consumer and, the entity was not liable for the number of sand loadings to the lorries that registered in the project under any category. The time periods mentioned here were the time periods required to obtain sand under the token method and, most of lorries here were being loaded

A fair basis should be implemented.

load of sand as 749 registered lorries of 03 cubes and above was registered for obtaining sand in Polonnaruwa district. 172 lorries out of the Polonnaruwa District were registered for obtaining sand and, it had been taken 06 months period to obtain sand load after one sand loading for those lorries.

sands more times than this number of times by contributing to the sand supplies issued under control price by the Company.

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| <p>(vi) It was informed in writing by the Associations of ferry holders to the Minister in charge of the subject that it was difficult to remove sand as it was unable to go by boats to large sand mines that deposited in the middle of the river at the instances where the water level in the river was decreased during 06- 07 months period in the year in upper area of Manampitiya Bridge. Although it was recommended that the use of convey belt method was suitable to remove these sand mines as per Follow-up Committee report of Department of Wildlife Conservation, appropriate measures were not taken for that.</p> | <p>In a background where there is no legal ability to issue sand mining licenses in the Manampitiya National Park, approval has been given for this project according to a Supreme Court decision. All mining works should be done as per Artisanal Mining Licenses.</p> | <p>An appropriate measure should be followed for the removal of sand.</p> |
| <p>(vii) Actions had not been taken by the ferry holder to obtain an insurance cover for sand mining labourers.</p> | <p>It was planned to provide a life insurance cover as per Labour Compensation Act under the Programme of “Pulathisi Ran Dahadiya” based on these labourers.</p> | <p>Actions should be done to obtain an insurance cover.</p> |
| <p>(viii) Although it was given 10 per cent for sand yards of the company and 05 per cent based on the approval of the Head Office, 50-75 per cent more than the prescribed quantity had been issued for sand yards and based on priority basis.</p> | <p>Although a specific percentage allocation was mentioned under the sand issuing method, issuing sand with changes of those percentages was a measure taken to control sand prices, which is a key objective of the project and, institution does not have any control over the price of the sand issued under the token system when it reaches the final consumer.</p> | <p>Actions should be done in compliance with the specified mechanism.</p> |

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| <p>(ix) The fee of Rs.40 that charged for rehabilitation of river banks and sand mining routes from 01 cube of sand had been increased up to Rs.100. Although it had been collected an amount of Rs.16,782,443 as at 31 October 2021 under this, only Rs.100,100 had been spent during the relevant time period. Though the access roads to the sand mining premises were in a very dilapidated condition, those roads were not repaired.</p> | <p>Actions had been done to call tenders for rehabilitation of roads under rehabilitation Fund by now and, the estimated cost was Rs.6 million approximately.</p> | <p>The collected funds should be utilized for the relevant works.</p> |
| <p>(x) A loader machine that purchased at Rs.8,883,520 in year 2009 for this project had been removed from the use in year 2012 due to technical issue. Though it was repaired by spending Rs.966,595 in year 2019, it was failed to bring into the real condition. As this machine was parked in the project premises unsafely, said parts had been rust and, a generator valued at Rs.2,423,224 had been remained in a dilapidated condition, exposed to rainwater and sunlight without any cover.</p> | <p>The scratches and rusts that occurred in such machines do not hinder with the operation of the machine.</p> | <p>The security of the assets should be confirmed and, it should be utilized effectively and productively.</p> |

(b) **Kanthale Sand Project**

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| <p>(i) It was sold 41,773 cubes of sand out of 46,306 cubes of sand that mined and transported in to sand stores under this project and, as the rest of sand was remained nearly 10 months period without selling, silt were mixed slightly and, it was called tenders for the sale of rest of 4533 cubes of sand. It was informed by the tenderers that there were less than 1000 sand cubes available at this location. The quantity of 875 sand cubes had been sold to a tenderer. Accordingly, there was a deficit of 3658 cubes of sand and, the cost of that sand stock was Rs.12,107,980.</p> | <p>Though the contractor has agreed to wash sand mixed with mud and sell as agreed, sand that needed to be washed was been left and only sand mixed with mud slightly was sold. Therefore, the entity has not released the security deposit deposited by the contractor due to not getting all the sand contained in the land. The part of the sand to be washed has already been collected in that premises and more are to be collected.</p> | <p>It should be acted regarding the shortage by following a proper action.</p> |
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| (ii) | It was observed at the physical observation that the buyer that purchased sand cleaned slightly silt mixed sand in the sand project premises itself by using a machine and sold 01 cube at Rs.10,000. Accordingly, it was observed that an external party had been earned a profit more than Rs.5 million. | It was required to sell the mud mixed sand in order to stop the operating expenses that has to be incurred monthly as the project has been inactive for more than one year. This sand was spread throughout 05 acres of land and, the sand was collected, washed and sold. Thus, though buyers were given opportunity to wash and sell sand in that premises, the retained bond was not released as a buyer has left only the minimum quantity of mud mixed sand layer at the ground level. | Actions should be done to identify the alternative sources of profit earning and earn profits by the Company. |
| (iii) | It was collected Rs.59,978,547 by planning to construct 03 safety dams along with removal of sand and, erosion barriers No. 01, 02 and 03 were constructed by using that money. The progress of their constructions was 100, 69 and 53 per cent respectively. | Agreed with the audit query. | Erosion barriers 02 and 03 should be constructed and completed promptly. |
| (c) | The project of construction of Head Quarters of Defense Forces had rejected to mine sand in that place and obtain for the relevant constructions due to the fact that the existing sand at the site of Muthur Sand Project was not suitable for concrete used for construction purposes. The Company had took 24 mining licenses and mined sand in this place and, 1,397 cubes of sand were mine during the period of 18 August 2020, when the project commenced to 31 December 2021 and, a loss of Rs.1,910,661 had been occurred during the relevant period. | Although it was applied for mining licences during the month March 2020 to the Geological Survey and Mining Bureau with the receipt of recommendations of Department of Forest Conservation, those licenses were issued after 05 months lapsed in month of August 2020. After that, as the rainy season came to the area, it was difficult to carry out the work of the project. Accordingly, only this amount of sand cubes could have been mined. | Actions should be done to make the project profitable. |
| (d) | Wallawaya Kotikambokka Quartz Project that was scheduled to be commenced in year 2017 had not been commenced even in the year under review and, An amount of Rs.21,712,327 had been incurred as recurrent and | The required initial works had been done to mine said quartz deposit and sell as per written instructions of Secretary to the Ministry on 10 May 2016. Accordingly, an industrial license | The project should be commenced promptly. |

capital expenditure including renting a land to store mined quartz, purchasing of bridge scale to weigh mined quartz and deploying employees for its security during the period of 2017-2021.

had been obtained with effect from 13 October 2021 with the approval of all required institutions. The minimum payment had been made since then. Further, the Technical Evaluation Committee Report had been referred to the Cabinet Appointed Procurement Committee for the project and, accordingly, it was scheduled to hold that first committee meeting on 02 may 2022 at the Ministry of Environment.

(e) An amount of Rs. 5,616,811 which was collected from 01 sand cube at Rs.50 per each for labor welfare was taken to the income of the company based on the decision of the Board of Directors without being spent on welfare.

Spending of money being collected or collected for rehabilitation or welfare in case of necessity shall be done on the basis of circulars and approval of the Board of Directors as mentioned above and, there was no any condition of spending that collected money compulsorily.

Funds established for a specific purpose should be used for that specific purpose.

3.3 Human Resources Management

Audit Observation

An approval was given at the Cabinet meeting held on 08 June 2001 that the company's cadre should be limited to 5-6 including the chief executive officer and that the employees required for the projects should be obtained on contract basis. 240 employees had worked on contract basis at the end of the year under review and, although the Company had presented a draft cabinet paper to increase the permanent cadre to 64 to the Line Ministry on 21 January 2021, a cabinet approval had not been given even by 28 February 2022.

Management Comments

As soon as the receipt of ministry's approval, it will be forwarded to the Director General of the Department of Management Services through the Ministry to obtain approval for the organization chart and scheme of recruitment with a copy to the Director General of the Public Enterprises Department as per the instructions mentioned in the Public Enterprises Operational Manual.

Recommendation

Actions should be taken to obtain relevant approvals.