

Geological Survey and Mines Bureau - 2012

1. Financial Statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the Geological Survey and Mines Bureau as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1:2 Comments on Financial Statements

1:2:1 Accounting Policies

Even though the fixed assets with Zero value should be brought to account at the revalued amount or the gross value of those assets, it had not been so done.

1:2:2 Accounting Deficiencies

The following observations are made.

- (a) Provision for depreciation in respect of the year under review had not been made on the GFZ Stations at Mahakandarawa and Hakmana valued at Rs.5,465,178 shown under the lands and buildings.
- (b) Even though a portion of the Head Office premises had been given on rent to a private institution at a monthly rent of Rs.90,000, the rent income for the year under review amounting to Rs.1,080,000 had not been shown under the other income.
- (c) The cash flow statement presented had not been prepared in accordance with the practices.

- (d) Even though the fixed deposits amounting to Rs.67 million as at the end of the year under review had been shown in the financial statements, according to the dates of the fixed deposit certificates, those deposits did not relate to the year under review.

1:2:3 Accounts Receivable and Payable

The following observations are made.

- (a) According to the financial statements, a sum of Rs.17,145,324 remained receivable from the debtors as at 31 December 2012. Provision for bad and doubtful debts had not been made in that connection. The debtors balances older than 05 and 03 years included in that balance amounted to Rs.1,216,195 and Rs.2,101,360 respectively.
- (b) Cheques valued at Rs.576,499 issued to creditors had not been presented to the Bank. That balance included 09 cheques valued at Rs.199,720 issued in the year 2011 and 12 cheques valued at Rs.357,431 issued in the year 2012.

1:2:4 Lack of Evidence for Audit

The evidence indicated against each of the following items shown in the accounts had not been furnished to audit.

Items -----	Value ----- Rs.	Evidence not made available -----
Fixed Assets	503,603,620	Boards of Survey Reports
Building Rent of a Private Institution	1,080,000	Building Rent Agreement

1:2:5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliances with the following laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Finance Act, No. 38 of 1971	

Sections 10 and 11	Investments in Treasury Bills amounting to Rs.184,148,713 and Rs.516,421,790 in fixed deposits had been made without obtaining the specified approval.
Section 14(1)	Even though a draft of the annual report should be prepared and a copy of that should be furnished to the Auditor General within 04 months after the close of the financial year, it had not been so done in respect of the years 2011 and 2012.
Section 14(3)	The Annual Report for the year 2011 had not been tabled in Parliament.
(b) Paragraph 5.2.5 of the Public Enterprises Circular No. PED/12 of 02 June 2003.	Even though the approved budget should be furnished to the relevant Ministry, the Department of Public Enterprises, the General Treasury and the Auditor General, it had not been so done.
(c) Financial Regulations	

Financial Regulation 371	The advances totalling Rs.334,502 granted to Field Officers had not been settled even by 31 July 2013. That balance included the balances of advances granted in the years 1993, 1994, 1996, 2002 and 2003.
Financial Regulation 756	The Bureau had not appointed a Boards of Survey for the year under review for the conduct of a survey of the goods of the Head Office and the Regional Offices.

Financial Regulation 1647

Whenever there are three or more motor vehicles, a register of all the materials purchased and issued for those should be maintained. But it had not been so done.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the pre-tax operating results for the year ended 31 December 2012 amounted to a surplus of Rs.691,122,409 as compared with the corresponding surplus of Rs.618,549,416 for the preceding year, thus indicating an improvement of Rs.72,572,993.

The increase of the royalty income by a sum of Rs.141,551,469 had been the main reason for the improvement of the above mentioned financial result.

2:3 Analytical Financial Review

The following observations are made.

(a) Analysis of Income

The total income of the Bureau for the year under review as compared with the preceding year, had increased by a sum of Rs.143,125,709 or 14.88 per cent.

(b) Analysis of Expenditure

The total expenditure for the year under review as compared with the preceding year, had increased by a sum of Rs.70,552,716 or 20.6 per cent.

3. Operating Review

3:1 Performance

3:1:1 Geological Mapping

The following observations are made.

- (a) Even though 21 geological maps on the scale of 1:100,000 should have been printed, 15 maps only had been printed.
- (b) Even though maps of 1:50,000 scale should have been prepared for 07 Quaternary Mapping areas, the work on 04 maps had been completed and those had not been printed.
- (c) Even though Pedo-geological Mapping of 1:50,000 scale had been commenced from the year 2008 after the analysis of the chemical content of the soil, the mapping had not been completed even by the year 2012.

3:1:2 Issue of Licenses

The information on the targeted number of issue of licenses and the actual number for the year under review is given below.

Type of License -----	Targeted Number -----	Actual Number -----
Technical Mining Licenses (AML)	5,980	4,781
Industrial Mining Licenses (IML)	3,801	3,092
Trade Licenses (TDL)	1,160	763
Transport Licenses (TPL)	360,200	370,467
Export Licenses (EXL)	600	492
Exploration Licenses (EL)	--	73

The targeted levels of Technical Mining, Industrial Mining, Trade and Export Licenses had not been reached.

3:2 Management Inefficiencies

The following observations are made.

- (a) The daily collections of the Bank Accounts operated for the collection of the income of the Bureau had not been credited to the main Bank Account on the same day itself. The money so accumulated as at the end of the year under review amounted to Rs.45,500,000.
- (b) Equipment valued at Rs.9,285,635 had been purchased in the year under review for the laboratory of the Bureau. The net book value of the equipment as at the end of the year under review amounted to Rs.42,009,696.

The following observations are made in this connection.

- (i) The Certificate of Accreditation could not be obtained for the laboratory due to the failure to maintain the building with appropriately installed laboratory equipment.
 - (ii) The Performance Reports on the number of samples received in the year 2012 for the analysis of the underground chemical content of the earth and the number of analysis finalized had not been prepared.
 - (iii) The fees charged from the outside parties had not been revised and updated and the amount of advance obtained with the applications had not been determined.
- (c) Lands had not been rehabilitated in accordance with the terms and condition of the Mining Licenses. Even though the cancellation of the license holder's bonds amounting to Rs.3,025,000 and bring to account as income had been pointed out, action thereon had not been taken.
 - (d) Out of the Initial Environmental Evaluation Review advances obtained amounting to Rs.6,526,567, a sum of Rs.6,255,367 had been brought forward from the years 2010 and 2011. These balances included a balance amounting to Rs.386,522 brought forward from the year 1993.

3:3 Idle and Underutilised Assets

The following observations are made.

- (a) Even though the Bureau had spent a sum of Rs.130,476,703 for the purchase of a land belonging to the Urban Development Authority situated in the Orugodawatta area in the year 2007 for the construction of a building for the Head Office including the inauguration ceremony held for the construction of a buildings, that had been abandoned.
- (b) Further, a sum of Rs.55,241,300 had been spent in the year 2010 for the purchase of another land in Battaramulla area from the Urban Development Authority on lease basis for the period of 30 years. A sum of Rs.62,815,090 had paid up to the year 2012 in this connection to the Ministry of Sri Lanka Reclamation and Development Corporation for the development of the land, to an Engineer of the University of Moratuwa for consultancy services for the construction of the building and to the Central Engineering Consultancy Bureau for drawing of plans for the construction of the building. No work whatsoever in connection with the construction had been carried out even by the end of the year under review.
- (c) A store and the Gampaha Regional Office only had been constructed on the land of 2.24 hectares in extent situated at Yakkala Warallawatta purchased on lease basis for a period of 30 years.
- (d) A stock of office equipment and computers and accessories valued at Rs.3.1 million purchased in the years 2011 and 2012 had been retained in the stores at Yakkala without being distributed.

3:4 Uneconomic Transactions

A sum of Rs.1,189,466 spent on partitioning of a building taken on rent had been shown under assets.

3:5 Staff Management

The following observations are made.

- (a) Even though the Scheme of Recruitment should be revised and approval of the Department of Management Services should be obtained for that, the Scheme of Recruitment and the Cadre Plan of the Bureau had not been revised even by 30 June 3013.
- (b) The approved staff of the Bureau as at 31 December 2012 had been 381 and the actual staff had been 294. Vacancies existed in 87 posts. Instead of filling those vacancies, employees for the posts of Clerks, Drivers, Audit Officers, Investigation Officers, Data Entry Operators, Karyala Karya Sahayaka and Labourers had been recruited on temporary basis from a private institution and basic salary and an additional allowance of 10 per cent amounting to Rs.10,962,173 had been paid in the year under review.
- (c) The major executive posts such as the Chief Geologist, Chief Accounts Executive, Cashier and Chief Geologist (Physical) which had been approved in the year 2009 according to the approved staff Plan remained vacant for 03 and 04 years without being filled.

3:6 Identified Losses

The loss resulting from the damage to property, plant and equipment caused by the fire at the Regional Office at Badulla in July 2012 had not been computed while no adjustment or disclosure of that had been made.

3:7 Building up of a Fund for the Provision for Employees Gratuity

Even though a provision of Rs.4,113,994 for gratuity had been made in terms of the provisions in the Payment of Gratuity Act, arrangements for the supply of funds for the settlement of the liabilities that could arise had not been made.

3:8 Investments in Subsidiary Companies

The Bureau had established a Subsidiary Company under the Companies Act in the year 2011 by investing Rs.04 million and acquiring ownership of 66 per cent of the shares. A sum of Rs.2,160,000 had been received from the Subsidiary in the year under review as the dividend on the investment. In addition to the statutory license fee charged for the transport of sand by the Bureau, this private company had collected a sum of Rs.66,544,380 in the year 2012 from the sand license holders (Hasalaka and Wilgamuwa) at the rate of Rs. 100 per cube of sand.

4. Accountability and Good Governance

4:1 Corporate Plan

- (a) Even though the Organisation Structure of the Bureau, a review of the preceding three years operating results and the Action Plan clearly identifying the responsibilities of officer should be included in the Corporate Plan in terms of Section 5.1.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003, those had not been included.
- (b) The following functions in terms of Section 6 of the Mines and Minerals (Amendment) Act, No. 66 of 2009 had not been included in the Corporate Plan.
 - (i) Advise the Minister on measures to be adopted for the promotion, extraction, value addition through development of mineral based products and export of such mineral based products on commercial basis.
 - (ii) Disseminate in appropriate media, information and data acquired during the exercise of functions under, paragraph (a), (b) and (c) of Section 12 of the Act.

4:2 Budgetary Control

Significant variances were observed between the budgeted and the actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control. The following observations are also made.

- (i) All the budgeted income of the Bureau, other than the income from royalty had not reached the budgeted targets.
- (ii) Out of the budgeted expenditure, the expenditure on Geology, Projects and Laboratory Divisions had increased substantially while the expenditure on mapping had decreased.
- (iii) The purchase of computers and accessories valued at Rs.7,399,100 had exceeded the estimated sum of Rs.6,458,000 provided for the purchase of computers and accessories in the year under review.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Bureau from time to time. Special attention is needed in respect of the following areas of control.

- (a) Budget
- (b) Settlement of Advances
- (c) Fixed Assets
- (d) Maintenance of Registers
- (e) Staff Management
- (f) Royalty Advances
- (g) Debtors/ Creditors Control Account