

1.1 Qualified Opinion

The audit of the financial statements of the National Gem and Jewellery Authority for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 Finance Act No. 38 of 1971. My comments and observations which I consider should be report 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 accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 qualified 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 Authority’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 Authority or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

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

1.4 Auditor's Responsibilities for the Audit of the 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 scepticism 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 Authority'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 Authority'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 Company 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 Authority, and

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

- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority 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

Authority 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.

1.5.2 Non-compliance with Sri Lanka Accounting Standards

The following observations are made.

	Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a)	Interest income received should be shown as cash inflow under investment activities in the Cash Flow Statement reduced by Rs.3,884,687 and the net value of Rs.295,637,270 was the different in between cash inflow and outflow of reinvestment and withdrawal of Treasury Bill investments and fixed deposits had been shown under investment activities, contrary to the Sri Lanka Accounting Standards 07. Further working progress mounting to Rs.61,890,191 and the Distress Loan given amounting to Rs.7,832,590 should be shown as cash outflow under investment activities and Distress Loan recovered amounting to Rs.5,044,506 should be shown as cash inflow had been shown by adding to Property Plant and Equipment and balances due from employees.	Interest income for the year was Rs.128,314,211 and the sum of Rs.3,884,687 received from cash is shown in Working Capital Change. Cash outflow for working progress is indicated in the Cash Flow Statement under Cash outflow for acquisitions of Property Plant and Equipment. Further, Distress Loan inflows and outflows are indicated under the balance due from employees.	When preparing a cash flow statement, it should comply with the terms of the standards.

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| (b) | The Profit after tax for the year under review had been understated by that amount due to the over provision of income tax amounting to Rs.48,200,475 made in the last year had shown as prior year adjustment instead of adjusting to the tax expenditure of the year under review as per 80(b) of Sri Lanka Accounting Standard No. 12 and paragraph 36 of Sri Lanka Accounting Standard No. 8. | Income Tax over provision will be corrected in the year 2019 as per the Accounting Standard No.08. | Should comply with terms of the Standard. |
| (c) | 26 fully depreciated motor vehicles costing Rs.103,032,087 are being used due to non-reviewing the useful life of assets annually in accordance with Sri Lanka Accounting Standards 16. Accordingly, the fair value had not included in the financial statements by revising the error in accounting estimates according to the Sri Lanka Accounting Standard No. 8. | It is the policy of the entity to show the cost of assets as per Section 29 of the Standard No. 16. Although revaluation of vehicles has commenced in 2018, the valuation of the two vehicles had not received from the Valuation Department by the end of the year. Therefore, the revaluation value of the revalued vehicles and regarding the above two vehicles are disclosed in the Account Schedule (3). | Should comply with terms of the Standard. |
| (d) | Workers' Compensation amounting to Rs. 5,800,000 had been provided without definitively identifying the actual estimate for the Contingent Liabilities contrary to the Sri Lanka Accounting Standard No.37. | Allocations for contingent liabilities had been made on the base of a written confirmation given by the Legal Officer of the Authority. | Should comply with terms of the Standard. |

1.5.3 Accounting Policies

Audit Issue	Management Comment	Recommendation
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Even though the carried forward value of the property, plant and equipment and intangible assets should be reviewed and adjusted to the accounts each year as per the Authority's accounting policy, without reviewing it, the property, plant and equipment, receivable balances, deposits and advances and other assets amounting to Rs.5,976,657 had been adjusted for impairment losses.	Those balances were shown in the accounts because information had not been reported on the impairment losses on intangible assets of property, plant and equipment for the year 2018.	Should comply with terms of the Standard.

1.5.4 Accounting Deficiencies

The following observations are made

Audit Issue -----	Management Comment -----	Recommendation -----
An additional tax expense of Rs.22,364,664 had been shown under income tax expense in terms of Section 61 of the Inland Revenue Act No. 10 of 2006, which were not applicable after 01 April 2018. Thereby the profit had been understated and tax liability had been overstated by the same amount.	Since the new Inland Revenue Act No. 24 of 2017 relates to the accounting period after 01 April 2018, an amount of Rs.22,364,664 had shown as the tax expense as per Section 61 of the Inland Revenue Act No.10 of 2006. The correct income tax will be adjusted with the accounts in the future.	Action should be taken to calculate income tax correctly.

1.6 Non –Compliance with Laws, Rules, Regulations and Management Decisions etc.

The following observations are made.

Reference to laws, Rules and Regulations etc. -----	Non-compliance -----	Management Comment -----	Recommendation -----
(a) National Gem and Jewellery Authority Act No: 50 of 1993. -----			
(i) Section 15(1)	Three gem mining projects are being carried out by the Authority without any licence who is the licencing authority to carry on the gem industry.	In such projects, the project is carried out under the agreement between the parties. In this case, the agreement had been treated as a licence because it has a legal validity. It is accepted that right to mines for gems and gemming in state own land can be achieved by any other form even without an auction as per Section 18.2 of the National Gem and Jewellery Authority Act No: 50 of 1993.	Actions should be taken in accordance with the provisions of the Act.

(ii)Section 15(2)	There were no procedures to register and regulate private laboratories maintaining for inspection of gems and issue certificates.	Criteria and methods were formulated to regulate laboratories maintaining without licences. Legal actions will be taken immediately to register and charge fees.	Actions should be taken in accordance with the provisions of the Act.
(b) Public Enterprises Circular No.PED/12 dated 02 June 2003 -----			
(i) Paragraph 6.5.1	The Authority's financial statements for the year 2018 were submitted to the audit on 26 March 2019.	Delivery of Annual Reports was delayed due to delay in obtaining Board approval for the draft Annual Report.	Actions should be taken in accordance with the provisions of the Circular.
(ii) Paragraph 6.5.3	The Annual Reports for the years 2016 and 2017 had not been tabled in Parliament even as at 15 May 2019.	The Annual Reports in 2016 is ready to be tabled in Parliament.	Actions should be taken in accordance with the provisions of the Circular.
(c) Public Enterprises Circular No.PED 1/2015 dated 25 May 2015 -----			
(i) Paragraph -2	A sum totalling Rs.1,600,000 had been paid for 8 months from May 2018 by Rs.200,000 per month on approval of the Board of Directors for the Chairman's personal vehicle was used to carry out the duties instead of providing an official vehicle to the Chairman. In addition, a pool vehicle of the authority was also used for the duties of the Chairman and 12,838 Km had been used from June to December 2018. The Running Charts had not been signed by the officer who used the vehicle.	Actions were taken to call quotations and rented a vehicle since the Authority could not provide a vehicle for the Chairman's official travels and considering of the quality and price of the vehicles, received offer was over Rs.200,000. As per the decision of the Board of Directors a sum of Rs.200,000 was paid monthly for his personal vehicle used by the Chairman.	Actions should be taken in accordance with the provisions of the Circular

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| (ii) Paragraph 3.2 | A sum of Rs.256,857 had been paid for the extra fuel supplied to the Chairman for a period of four months from 31 August 2018 without the approval of the Secretary to the Ministry and a sum of Rs.241,409 had been paid without the approval of the Board for additional fuel supplied to other officers on 22 occasions during the year. | Additional fuel allowances for the Chairman who had to exceed the specified fuel limit had been submitted to the Secretary of the Ministry with the approval of the Board of Directors. Additional fuel allowances for own vehicles of Directors had been reimbursed subject to Board approval. | Actions should be taken in accordance with the provisions of the Circular |
| (d) A letter No.DMS/Policy/03 dated 01 November 2013 of the Director General of Management Services. | New recruitment procedures for 32 approved posts had not been revised and approved. | Steps will be taken immediately to revise the scheme of recruitment. | Action should be taken to revise and approve the schemes of recruitment. |
| (e) A letter No.DMS/1629/Vol II dated 26 December 2017 of the Director General of Management Services. | Although the Treasury had refused to permanent the casual Field Assistants, there were 15 casual field assistants attached to non-operational gemming projects had been confirmed their posts. | Approval has been granted by the Management Services Department for the new recruitment of 15 Field Assistant positions as per the provisions of approved recruitment procedure. Internal applications were called according to the relevant recruitment procedure and recruitments were done under the recommendation of the interview board. | Actions should be taken in accordance with Treasury instructions. |

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a profit of Rs.91,794,389 and the corresponding profit in the preceding year amounted to Rs.113,338,005. Therefore an deterioration amounting to Rs.21,585,116 of the financial result was observed. Even though Administrative expenses by Rs.18,742,306 staff cost by Rs.7,459,785 and promotional expenses by Rs.68,718,971 had decreased and decrease of income by Rs.48,434,206 other income by Rs.26,581,296 finance income by Rs.2,195,190 and decrease of income tax expenses by Rs.39,253,984 had mainly effected for this deterioration .

3. Operational Review

3.1 Management Inefficiencies

Audit Issue -----	Management Comment -----	Recommendation -----
The Authority did not comply with the procurement guidelines for the implementation of gemming projects and special projects and auctioning of gemstones, gem sands and gem lands in accordance with the powers vested by the Act and no other guidance had been adopted.	A guideline for special projects had been prepared and all future projects will be carried out according to the guidelines.	Action should be taken to prepare guidelines and approved and followed.

3.2 Operational Inefficiencies

Audit Issue -----	Management Comment -----	Recommendation -----
(a) The Authority's involvement in the registration, renewal and follow-up of jewellers was minimal to regulate the jewellery industry that was vested by the Act.	Registration of jewellery industries and raid of unregistered outlets had been done and registration of jewellery shops had increased.	Actions should be taken in accordance with the provisions of the Act.
(b) The Authority had entered into an agreement with an entrepreneur to carry out a gemming project by dig that land without the approval of the Secretary to the Ministry of Fisheries and Aquatic Resources Development and Aquaculture Development Authority and contrary to the agreement had entered in between the National Gem and Jewellery Authority and that Authority to remove the gem sand of the Freshwater Breeding Centre at Udawalawe belonging to the	The consent of the landowner had been received at the National Aquaculture Development Authority meeting held on 05 January 2018. The removal of gem sands in the relevant land is indicated in the agreement signed with the Authority and the Aquaculture Development Authority. The approval had received to the Authority on 12 February 2018 to implement of the project for a period of three months.	Relevant approvals should be obtained and the project activities should be duly reported.

Aquaculture Development Authority. There was a sharp discrepancy in between the notes placed in gemming stage and the notes placed in the gem assessment on type of gems and quantities received from the project. The type of gemstones, the number of pieces removed, the reasons for the removal and the approval had not been given for gemstones weighted 88.65 Carats removed by the evaluation committee.

- (c) The approval of the Central Environment Authority, Irrigation Department and the relevant Divisional Secretariats had not been obtained for the Hadduwawatte Gemming Project implemented by the Authority near the Kelani River. Although the banks of the river have severely eroded due to the project, also guarantee had not been obtained from the entrepreneur who implements the Project to recover it. The gemstones received to the Project, weighted 1,858.65 Carats, had been removed as no value in valuation for auction on 4 occasions and the type of stones, number of pieces, reasons for removal and the manner of removal and approval had not been reported.
- It is observed that environmental recommendations were not provided due to lack of recommendations of the Irrigation Department for the Project. The project has been carried out with the concurrence of a systematic dismantling of gem resources in areas where unauthorized gem mining is taking place by Authority under the supervision of a committee appointed by the Secretary of the Line Ministry as per the provisions of the Authority's Act and it generated auction revenue of Rs.65 million.
- Steps should be taken to obtain relevant approvals and to keep records of removing gemstones.
- (d) According to the Authority's Promotion Plan regarding export marketing and promotion activities, 3 local The estimated amount for a local exhibition was used for an exhibition. A local exhibition was not organized due to the high cost Should be act according to the plan.

exhibitions and 3 foreign exhibitions planned to be held at a cost of Rs.28,000,000 had not been conducted and 3 foreign exhibitions had been conducted that were not included in the plan by spent a sum of Rs.3,690,000. The Authority had incurred a sum of Rs.3,426,163 should be provided by the exporters relating to 4 exhibitions and the total expenditure of Rs.2,815,000 relating to 2 exhibition due to lack of adequate arrangements for obtaining contribution and to involve exporters for foreign exhibitions.

involved. One foreign exhibition was organized at the request of the Export Development Board and another exhibition was organized by the Export Development Board. In another foreign exhibition, only the coordination with the Sri Lankan Embassy and promotion were done.

Since the stall fee for exhibitions is very high, the Authority had to pay for the promotion of the Sri Lanka pavilions because exporters were informed that they cannot participate. The expected contribution from exporters could not be obtained because the total cost cannot be covered.

3.3 Transections of Contentious Nature

The following observations are made.

Audit Issue -----	Management Comment -----	Recommendation -----
(a) The Chairman of the Authority, who was a lecturer in a university on sabbatical leave had obtained whole salaries and allowances from the Authority while he was obtaining whole salaries and allowances from the University.	The Chairman of the Authority had been paid the monthly salaries and allowances paid by the University of Moratuwa and salaries and allowances entitle as the Chairman of the National Gem and Jewellery Authority and we have not paid any extra money as per the Cabinet Paper dated 24 November 2017.	Overpayments should be recovered
(b) The Chairman is only entitled to a monthly allowance of Rs.100,000 as per the Public Enterprises Circular No. 03/2015 dated 17 June 2017 and a fuel allowance of Rs.19,890 as per the Public Enterprises Circular No. 01/2015 dated 25 May 2017 for the purpose of holding the post of Chairman of the Authority. Accordingly, a sum of Rs.542,657 had been over paid from December 2017 to April 2018.		

3.4 Under-utilization of Funds

The following observations are made.

Audit Issue	Management Comment	Recommendation
(a) The Jewellery Development Fund was set up in 2008 by charging an annual registration fee of Rs 5,000 from the Jewellers. Treasury approval had not been obtained for the purpose and the objectives of the Fund had not been specified.	The relevant fund was established in 2006 on budget proposals and according to those proposals, The Fund will be utilized for the development and promotion of the Jewellery Industry.	Approval for the Fund should be obtained and the objectives must be specified.
(b) There was no specific plan or methodology to use the Fund for development of the industry and the Fund's balance of Rs.72,131,745 had been remained idle as at 31 December 2018.	Special plans had been prepared and implemented in the year 2017 to utilize the respective Fund.	Action should be taken to utilize the Fund on a specific plan.
(c) Although the value of Rs.4,213,289 of equipment and assets used by the Fund in 2017 and 2018 had been donated to a jewellery association, objectives of the delivery of equipment had not met due to those are remained underutilized. Further, the contribution for the industry was being in minimal level from donations were made by using the Fund.	The Association had been provided with the basic equipment needed for the production of jewellery and other necessary facilities for provide technical support to the jewellery industry and the members of the association were started manufacturing of jewelleries by using these facilities from May 2018.	Action should be taken to follow up on the utilization of assets.

3.5 Idled or underutilized Property Plants and Equipment

Audit Issue	Management Comment	Recommendation
(a) A car purchased in 2012 for Rs.8,950,000 had run for 105,502 km until December 2017 and remained idle for over a year. During the past six years of using the vehicle, 55 repairs had been carried out at a cost of Rs.4,542,832.	Most of the repairs that were carried out are essential repairs that need to be done while running a motor vehicle and done on the recommendation of the agent.	Action should be taken to utilize the assets effectively.

- (b) 9,740 out of 10,000 polythene bags and 39,740 out of 40,000 safety belts and stickers purchased at a cost of Rs. 1,242,000 at the Export Service Center in the Katunayake Airport Exit Terminal have been remained idle for over a year and the export center had been closed. Explanations were called from all officers who involved in purchasing large quantities of export parcels without proper evaluation. It could be facilitated to use this packings immediately. Action should be taken to utilize the assets effectively.
- (c) A sum of Rs.380,180 had been earned by issuing 425 certificates during the 10 months period from January to October 2018 from Mobile Laboratory established in 2017 by incurred a sum of Rs.13.6 million. The overall deficit was 3,105,823 due to the direct expenditure was Rs.641,352 and provision for depreciation was Rs.2,844,609. A computer valued Rs.99,395 and 2 Energy Dispersive X Ray Fluorescence Spectrometer equipment valued at Rs.7,794,888 were purchased in year 2016 had remained idle without been used. As there are substandard quality jewellerys currently circulating in the market, it was proposed to use raid teams to check them. Hand Held Type EDXRF machines are suitable for inspection of jewellery in the field. So two such machines had been purchased. Deploying officers for testing by those instruments is difficult. Action should be taken to utilize the assets effectively.
- (d) A land with 80 perches in Belideniya, Matara with a value of Rs. 889,000 and a 3,007 sqft building therein with a written down value of Rs.3,091,861 owned by the Authority had been idled for more than seven years since 2012. Necessary arrangements are being made to utilize this building. Action should be taken to utilize the existing building.
- (e) The assets value at Rs.1,251,498, which was purchased in year 2016 for a museum proposed to be set up at the Ratnapura Regional Office had been idled for more than two years and the museum had not opened until the date of the audit was conducted. Although the construction of this commenced on the instructions of the Chairman and the Chief Executive Officer, the opening of the museum was delayed due to delays in installing the camera system and electric bulbs. Action should be taken to utilize after complete the construction.

3.6 Delays in Projects or Capital Work

Audit Issue	Management Comment	Recommendation
<p>(a) Although an entrepreneur had been selected for the gemming project at Kalu Ganga Heraniyawaka for Rs.12.5 million on 11 August 2017, the project was not started until the date of audit was conducted due to failure to obtain the approval of the Environmental Recommendation and approvals to be obtained from other government agencies for gemming.</p>	<p>The project was initiated as a measure to prevent unauthorized gemming. It was planned to carry out the project in accordance with the responsibilities vested upon the Authority basically with the Sections 14 (f) (g) and 14 (j) of the National Gem and Jewellery Authority Act No. 50 of 1993 and comply with the financial objectives in the relevant Act. It is expected to obtain relevant recommendations before implementing the project.</p>	<p>Action should be taken to implement the project without time delays.</p>
<p>(b) Construction of the Eheliyagoda office building scheduled to be completed on 10 September 2018, had not been completed until the audited date of 15 May 2019 and the construction period had been extended by 4 months on various reasons and by 4 ½ months without any reason or approval.</p>	<p>By now, extensions had been granted up to 26 May 2016. Although when designing the building, architecture plan with the emergency exit staircase was properly prepared and approved by the relevant agencies. The relevant plan had to be revised due to the strong public objections regarding this plan at the commencement of construction. Extensions of time period and payments had been made as per agreement.</p>	<p>Action should be taken to implement the project without time delays.</p>

3.7 Procurement Management

Audit Issue	Management Comment	Recommendation
<p>(a) The Procurement Plan had not been prepared in accordance with the 4.2 of the Procurement Guidelines and the Budget and Board approval had not been obtained.</p>	<p>The Procurement Plan for year 2018 had been prepared in accordance with the provisions of the Procurement Guidelines 4.2.</p>	<p>The procurement plan must be prepared and approved as scheduled.</p>

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| <p>(b) Although a sum of Rs.640 million, Rs.35 million and Rs.150 million respectively had been reserved for the purpose of constructing a building for the Head Office, constructing a Holiday resort at Kataragama and purchasing equipment for the establishment of an international gem laboratory which was to be carried out in accordance with the Procurement Plan of 2018, no related work had been commenced until the date of audit. Although a sum of Rs.100 million had allocated to develop Gem Street in Demuwawaka Ratnapura as an international gem centre, acquisition of lands were not been completed and the work had not been started as per the plan.</p> | <p>Action will be taken to obtain the necessary formal approvals for the commencement of the construction of the Head Office building of the Authority. The relevant Cabinet paper had been forwarded for approval on 30 November 2017 and the Authority has not yet received that decision. The works will be carried out according to the Cabinet decision to be taken in the future and the Department of National Planning had given approval to the construction of this building on 31 July 2017.</p> | <p>Actions should be taken to implement the Capital projects without delay.</p> |
| <p>(c) A sum of Rs.3,526,038 for 8 months and Rs.1,375,000 for 16 months respectively had been paid even without an agreement by obtained security from another organization for the Hadduwawatte and Bogawantalawa projects without obtaining the selected security service in accordance with the Procurement Guidelines for Gemming Projects.</p> | <p>I accept that there was a delay in signing contracts with the security services and inform you that the security services will be provided only by signing an agreement in the future.</p> | <p>Actions should be taken to enter into the arrangements.</p> |

3.8 Human Resources Management

Audit Issue	Management Comment	Recommendation
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<p>Other officers had been appointed to cover up duties of four posts in the vacant executive grades and no permanent</p>	<p>Even though interviews were held twice for the post of Director (Export Services and Export Marketing), the selected candidates had refused to accept the appointments. An officer had been appointed to perform duty due to interdiction of the Director (Land, Excavation and Environment). The post of Assistant Director (Legal) is vacant due to failure to</p>	<p>Action should be taken to fill the vacancies.</p>

officers had been recruited for that. obtain the approval of the Management Services and the awarding of appointments were delayed in the post of Assistant Director (Procurement) due to disciplinary action regarding the officer selected for appointment.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue	Management Comment	Recommendation
(a) Actions had not been taken to include the main objectives of the Authority in to the Action Plan and meet those objectives such as to facilitate the importers of gold, facilitate and promote Sri Lanka Gem and Jewellery Exchange, operate and manage the Ratnadeepa Merchant Stalls.	Action had been taken to obtain the consent of the Ministry of Finance as an intermediary to eliminate the NBT 2% tax which is currently in operation to facilitate to exports which is the main objective of the Authority. Although facilities were provided for the rough gems brought in for re-export, it had not been included in the Action Plan because it would not generate financial costs and revenue. WTC trade facilities were provided to promote gems and jewelleryes.	Actions should be taken to include main objectives into the Action Plan and achieve those objectives.
(b) Although a sum of Rs.326,938,000 had been allocated for the activities such as conduct environmental conservation programs to be carried out during the year, 5 activities to be carried out by using foreign countries under the promotion and re-export of gems and jewelleryes, establishment of a gem market, upgrading of the Head Office laboratory and assessment laboratory, setting up of two new laboratories in Kandy, to obtain ISO certification for Authority and international membership and international certification for Jewellery Valuation Division, Introduce of web base International Auction System, those activities had not been performed during the year.	Preparation of Annual Reports and preparation of plans for activities to be carried out during the year were done by the approval of the Board of Directors and the objective is expected to be achieved by 2019.	The Action Plan must be practical and the Authority should be taken actions to achieve its goals.

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| <p>(c) Although a sum of Rs.10,000,000 had been allocated and included in the Action Plan to evaluate the engaged industrialists in the Gem and Jewellery industry by the Budget of the year under review, without utilize it, a ceremony had been held to commemorate the industrialists along with the Authority's royal jubilee by collected a contribution of Rs.15,850,000 from the businessmen involved in the industry without an approval of the Board of Directors. Although the event was held on 23 November 2018, covering approval of the Board of Directors had granted on 14 December 2018. Purchases of all goods and services for the Golden Jubilee Awarding Ceremony were procured under the shopping method contrary to the 3.4 (b) of the Procurement Guideline. 21 cups more than the requirement had been prepared for the awarding ceremony and out of this, 17 cups valued at Rs.183,600 were being idled.</p> | <p>Although the funds had been allocated for this purpose, the Chairman decided to do with the cooperation of industrialists due to the financial position of the Authority. The industrialists agreed to provide financial support for the project. Subsequently, the board paper on 02 October 2018 was presented to the Board as an information sheet to inform the Board of Directors. A request was made for produce 81 awards as 80 awards for awarding ceremony and 01 award for His Excellency the President. However, later it was informed to award for 23 past Chairmen and accordingly, the request was increased to 100. Meanwhile due to the unstable political environment, the awarding to past Chairmen was not included in the program.</p> | <p>In accordance with the budget, action should be taken to comply with prescribed approvals and arrangements.</p> |
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4.2 Sustainable Development Goals

Audit Issue

Every government agency must act in accordance with the United Nations' 2030 "Agenda" for Sustainable Development and although the Authority is aware of the activities coming under its purview, no relevant activity had been carried out during the year under review.

Management Comment

I would like to inform you that actions should be taken to implement the Sustainable Development already implemented by the Authority in line with the United Nations Agenda by pay particular attention to this matter.

Recommendation

Action should be taken to identify relevant objectives and targets.