

National Gem and Jewellery Authority-Lanka Gemological Laboratory (Private) Limited - 2018/2019

The audit of the operations of the National Gem and Jewellery Authority - Lanka Gemological Laboratory (Private) Limited ("the Company") for the period 01 April 2018 to 31 March 2019 was carried out under my direction in pursuance of provision 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. My comments and observations which I consider should be furnished to the parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

1.2 Responsibilities of Management and those Charged with Governance for the Financial Statements

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company 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. As per Section 16(2) the annual financial statements in respect of every auditee entity, shall be submitted by the Chief Accounting Officer to the Auditor General along with the annual performance reports, within such period as may be provided by rules. As per Sub Section 38(1) (d) ensure the timely preparation and submission of annual and other financial statements and in addition the Chief Accounting Officer shall be required to submit annual reports to Parliament pertaining to the auditee entity.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

As per the section 150(1) of the Company Act No .07 of 2007, the board of directors of the company shall ensure that within six months after the balance sheet date financial statements are certified by the person responsible for the preparation.

2.1 Financial Statements

2.1.1 Presentation of Financial Statements

| Audit Observation | Comments of the Management | Recommendation |
|--|-----------------------------------|---|
| ----- | ----- | ----- |
| Financial statements of the company for the years 2015, 2016, 2017, 2018 and 2019 had not been submitted even as at the date of this report. | Not replied by the company | Financial statements should be submitted on due date. |

2.1.2 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. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

Audit Observation

Comments of the Management

Recommendation

Maintenance of Books and Accounts

The following books and records which should be maintained by the Company, for the period of 01 April 2014 to 31 March 2019, had not been maintained by the company.

Not replied by
the company

Actions should be
taken to maintain
the books and
accounts

- (i) Cash/Bank Books.
- (ii) Ledger Accounts.
- (iii) Journals.
- (iv) Bank reconciliation statements.
- (v) Relevant registers.
- (vi) Payment vouchers.

2.2 Accounts Receivable and Payable

2.2.1 Payables

Audit Observation

The charges amounting to Rs. 369,440 and Rs.1,032,887 relating to the tours to Thailand and Germany had been paid by the National Gem and jewellery Authority on behalf of the Chairman and a Director of the company. These amounts hadn't been settled up to audited date.

Comments of the Management

Not replied by the company.

Recommendation

Actions should be taken to settle

2.3 Non -compliance with Tax Regulations

Audit Observation

Actions had not been taken to register for income tax or pay income tax up to the date of audit. The payable Balance of Income tax and Withholding tax amounting to Rs.14,619,695 and Rs.4,784,831 respectively as at 31 March 2014 had not been settled.

Comments of the Management

Not replied by the company

Recommendation

Actions should be taken to register and pay income tax

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

The company had been established in the year 2008. Although the following objectives had been shown in the

Comments of the Management

Not replied by the company

Recommendation

Actions should be taken to accomplish

paragraph No 4 of Articles of Association of the company, any operational activity had not been started up to now and hence the company had not been achieved its objectives.

the company
objectives

- (i) To establish and operate in Sri Lanka laboratory of international standards for testing and certifying gems, precious and semi-precious stones, synthetic stones ,metals ,minerals , jewellery and any other materials or things whatever and to issue opinions, valuations certificates, reports etc.
- (ii) To ensure the independence of the said laboratory in its operations so as to enable the local and international community to repose confidence in the said laboratory as an institution which functions scientifically, fairly and impartially.
- (iii) To promote strengthen, encourage and develop the gem and jewellery industry in Sri Lanka and the ethical conduct of business in the said industry.
- (iv) To conduct educational and training courses and research programmes etc. on testing of gems, precious and semiprecious stones, synthetic stones, metals, minerals, jewellery and of any other materials or things whatever.
- (v) To carry out research into and develop new techniques, systems, machinery, equipment, tools and implements for the gem and jewellery industry.
- (vi) To establish and develop reciprocal relations with fraternal organizations and to work in collaboration, co-operation and in association with such organizations.