

1.1 Qualified Opinion

The audit of the financial statements of the GSMB Technology Service (pvt) Limited for the year ended 31 March 2019 comprising the statement of financial position as at 31 March 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. 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 Company as at 31 March 2019, 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

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 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, 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.

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 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 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 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 Company;
- 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 Financial Statements

1.5.1 Internal Control over the preparation of Financial Statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with Management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with Management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non - compliance with Sri Lanka Accounting Standards for Small and Medium-sized Enterprises

Non-compliance with applicable Standard	reference to	Comments of Management	the Recommendation
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Sri Lanka Accounting Standards for Small and Medium Enterprises

(a)	Although the income and expenditure should not be set off in terms of Paragraph 2.5.2 of the Standard, the cost of transportation of sand at the Yakkala Sand Sales Center amounted to Rs. 24,144,313 was set off to its’ income and the net value of Rs. 12,150,034 had been shown as income.	There has been no net value shown by setting off of the cost of transportation of sand stock to its’ income and the relevant cost of transportation was taken in to accounts crediting to a liability account based on a concurrence occurred in determining the price of sand.	Actions should be taken in terms of the stipulations in the Standard.
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| (b) | The short term investments which should be shown under current assets amounted to Rs. 16,025,583 had been shown under the non-current assets in terms of Paragraphs 4.4.and 4.5 . | It is been informed that, arrangements will be made to furnish fixed deposits under current assets from the year 2019. | -do- |
| (c) | Action shall be taken to identify the impairment loss in accordance with Paragraph 11.21 of the Standard and even though the balances exceeded 05 years amounted to Rs. 10,529,725 had remained in the amount receivable totalled to Rs. 106,266,872 of the Company, actions had not been taken in terms of the Standard for that. | Actions will be taken to identify the impairment loss from the year 2019 in terms of the Accounting Standard. | -do- |
| (d) | Even though the fixed assets which were totally depreciated cost at Rs.50,368,512 had been continuously used by the Company in terms of Paragraph 17.19 of the Standard, arrangements had not been made to assess for the effective life of the assets and the residual value for the presentation of the fair value in the financial statements . | Actions will be taken in future to re-assess the effective life and residual value to present the fair value of fixed assets as per the Standards. | -do- |
| (e) | It had not been disclosed in respect of a case filed against the Company by an external party in the Financial statements In accordance with Paragraph 21.15 of the Standard. | It is informed that the necessary legal action will be taken in the following year after studying the details of the case. | -do- |
| (f) | The accounting policy for gratuity had not been disclosed in terms of Paragraph 28.15 of the Standard. | The accounting policy for gratuity is included in Paragraph 3.7 . If there are shortcomings in the relevant presentation in terms of the Standard, it is expected to correct them in future. | -do- |
| (g) | The accounting policy on deferred tax had not been disclosed in terms of Paragraphs 29.27. and 29.31 of the Standard. | The accounting policy on deferred tax is included in Paragraph 3.2 . If there are shortcomings in the relevant presentation, it is expected to correct them in future. | -do- |

- (h) Even though it had been shown a balance receivable amounted to Rs. 25,930,990 from Geological Survey and Mines Bureau as the associated parties in the financial statements in terms of Paragraph 33.9 of the Standard, the relevant details which should be disclosed had not been revealed. Actions will be taken to disclose balances receivable from the parties involved in from the year 2019 . -do-

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) The Employees' Provident Fund and Employees' Trust Fund Contributions amounted to Rs. 564,017 and Employees' Gratuity Expenses amounted to Rs. 139,837 had been understated in the accounts, and the contributions payable as at 31 March 2019 had been overstated by a sum of Rs. 339,694 .</p>	<p>Actions will be taken to correct during the financial year 2019/2020 .</p>	<p>The accurate value should be stated in the financial statements.</p>
<p>(b) The Bonus of Rs. 9,053,153 paid for the preceding year had been taken in to accounts as an expense for the year under review and a sum of Rs. 7,237,068 of that, had been paid prior to receipt of reports of audited accounts.</p>	<p>The necessary provisions have been made to pay bonus payments for the year 2019/2020. Bonus payments will be made after receiving reports of audited accounts in future financial years.</p>	<p>Bonuses should be accurately stated in financial statements.</p>
<p>(c) Whilst calculation of the loss of the Sand Packet Sales Center in Nugegoda the expenditure amounted to Rs. 1,031,332 had not been included.</p>	<p>A sum of Rs. 767,332 incurred on the introducing of sand packets to the market for the first time and a sum of Rs. 264,000 spent in installing a display board in front of the center was not included when calculation of</p>	<p>Expenses should be accurately stated in financial statements.</p>

loss.

1.5.4 Unauthorized Transactions

Audit Observation	Comments of the Management	Recommendation
<p>(a) The Corporate Plan for the period of 2019-2023 had been prepared by a private company for a sum of Rs. 2,295,918 (tax free) without following the Procurement Guidelines. The Plan had not been approved by the Board of Directors and had not been submitted to the audit.</p>	<p>Corporate Plan for the period 2019-2023 will be submitted to the Board of Directors in future.</p>	<p>Arrangements should be made in accordance with the Procurement Guidelines and the Corporate Plan should be approved by the Board of Directors.</p>
<p>(b) A sum of Rs. 2,244,898 had been paid to a private company for the preparation of the Corporate Plan of the Geological Survey and Mines Bureau without obtaining the approval of the Board of Directors.</p>	<p>A sum of Rs. 2,581,632 (inclusive of Value Added Tax) has been paid on 16 August 2019 for preparation of Corporate Plan of the Geological Survey and Mines Bureau.</p>	<p>Payments should be made on the approval of the Board of Directors and should not be borne the expenses of external agencies.</p>
<p>(c) The approval of the Board of Directors had not been obtained to spend a sum of Rs. 767,331 for the launching of the sand packet marketing project in Nugegoda and to sell the sand packets at a loss of Rs. 79,500 . Even though the sales of the sales center had been stopped since March 2019, due to the lease agreement being remained till April, the rent of the building amounted to Rs. 150,000 had been paid without use.</p>	<p>Since the sand packet project is a newly started project, the initial cost had to be incurred to commence it. Sand bags have been sold since May 2019 under the new price system. Sand packets have never been sold reducing prices. After the Sand Sales Center was closed in March, the site has been divided into sections</p>	<p>Arrangements should be made on the approval of the Board of Directors.</p>

for the warehouse, excavation section and special project units.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation -----	Comments of the Management -----	Recommendation -----
Due to the non-availability of boat lenders of Rs. 3,591,549 granted in the year 2014 and due to lack of proper mechanism for recovery, a sum of Rs. 445,476 could not be recovered.	The Company has made arrangements to provide a loan for the workers to get the necessary boats and buckets to get labor service for the sand mining. It has not been able to recover the debts from the workers who did not work. Necessary steps have been taken to investigate this and to find out the possibility of recovery.	There should be a proper mechanism to recover the debts.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations etc. -----	Non-compliance -----	Comments of the Management -----	Recommendation -----	
(a) The Companies Act No. 07 of 2007	(i) Section 5 (2)	Without obtaining the assurance of the ability to pay the debt from the auditor, the Board of Directors had paid a dividend of Rs. 6,000,000 at Rs. 10 per share for the	Payment of dividends will be made obtaining a certification from the Auditor General with a guarantee that the ability of	It should Complied with the provisions of the Act.

	financial year 2017/2018.	recovering of the loan from the next financial year.	
(ii)	Section 133	Annual General Meeting had not been held for the 2018 calendar year.	Even though, the Annual General Meeting and the get together had been planned to be held, due to the political situation occurred in the country on 25 October 2018, the Annual General Meeting could not be held as planned and only the get together had to be held on the due date.
(iii)	Section 166	The Annual Report for the financial year 2017/2018 had not been prepared.	Actions will be taken to submit the Annual Report to the relevant parties in future.
(b)	Section 10 (6) of Part 3 of the Stamp Duty Act No. 12 of 2006	Stamp duty had not been remitted to the Commissioner of Inland Revenue when the workers were being paid remuneration.	Action will be taken to remit to the Commissioner of Inland Revenue with the stamp duty charged from the employees.
(c)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka		
(i)	Financial Regulations	The Board of Directors had not delegated	The financial Arrangements powers had been should be made in

135 financial powers annually. delegated through accordance with the Board of the Financial Directors Paper No. Regulations. GSMBTS / 129/12 dated 03 October 2018 by the Board of Directors. Actions will be taken in future by the Board of Directors to delegate financial powers annually.

(ii) Financial Regulations 756, 507 (2) and 507 (3) Fixed assets were not being surveyed and submitted the verification reports to the audit. Actions will be taken to survey the fixed assets properly from the current year and submit reports for audit . -do-

(d) Public Enterprises Circular No. PED / 12 of 02 June 2003

(i) Paragraph 6.5.3 The financial reports for the years 2015/2016, 2016/2017 and 2017/2018 had not been tabled in Parliament until July 2019 along with the audit report. Necessary actions will be taken to be tabled it in Parliament in future. Actions should be taken as per circular provisions.

(ii) Paragraph 8.3.3 Although, the maximum of the bonus payable is 2 months' salary, a sum of Rs. 9,063,153 had been paid to employees as bonus for the year 2017/2018 based on 3 months gross salary. The Company has paid bonuses for each employee based on pre-tax profits, based on the basic salary, not the three-month gross salary. -do-

(iii) Paragraph 8.3.9 A sum of Rs. 2,596,500 The gift vouchers -do- had been spent on gift have been issued vouchers for the with the approval of employees of the the Board of Geological Survey and Directors for the Mines Bureau in the years employees of the 2018 and 2019 in contrary Geological Survey to the Circular. Two and Mines Bureau employees of the for the month of Company were released to April 2018 . These the Ministry of Defense employees have and Kidney Prevention been suspended by Task Force at the now . Presidential Secretariat without approval and the company had paid a total of Rs 1,103,296 as salaries and wages as at 31 December 2018.

(e) Public Enterprises
Circular No. PED
03/2015 dated 17
June 2015

(i) Paragraph 2.2 Without the concurrence Actions will be -do- of the Minister In Charge taken obtain the and the approval of the Recommendation of Finance Minister, a sum the Secretary to the of Rs. 1,051,929 had Line Ministry and been paid in total as a the concurrence of monthly allowance of the Minister of Rs. 50,000 to the Finance for the Chairman, a sum of Chairman's Rs. 6,000 for each allowance and Director and Rs. 11,000 participation and for three Directors, allowances as per for participation the Circular. allowance for Board Meetings.

(ii) Paragraph 2.5 The allowances totalled Actions has been -do- to Rs. 233,571 had been taken not to grant paid to the Chairman, as a this allowance from sum of Rs. 20,000 per March 2019 . each month from the Manampitiya Sand

Mining Project.

(iii) Paragraph 2.8 A sum of Rs. 100,000 had been paid for the three Directors of the Company as Rs. 300,000 per each as a gift of honour with the approval of the Board of Directors. As the Company earned a very high after tax net profit for the financial year 2017/2018, a gift of honour has been paid with the approval of the Board of Directors. Actions will be taken to obtain the recommendation of the Secretary to the Line Ministry and the concurrence of the Minister of Finance in future. -do-

(f) Public Enterprises
Circular No. PED
/ 57 dated 11
February 2011

(i) Paragraph 01 A sum of Rs. 2,726,650 had been paid under corporate social responsibility for social services and donations which were not advertising or promotional activities. It had not incurred on the concept of obtaining institutional benefits and based on corporate social responsibility considering as a social service. -do-

(ii) Paragraphs 02 and 03 A promotion programme for the year under review had not been prepared and submitted for approval and the expenditure incurred by the Corporate Social Responsibility Fund was not included in the budget. Arrangements are being made to include it in the 2019 Budget and in the Promotion Plan. -do-

(iii) Paragraph 05 A sum of Rs. 9,816,396 Action will be taken -do-

had been spent on advertising and promotional activities beyond the approved budget. to prepare a proper promotion plan for the year 2020 and to comply with the provisions of the Circular.

- (iv) Paragraph 06 The approval of the Minister of Planning had not been obtained for the donations/sponsorship contributions which were more than Rs. 100,000 totalling to Rs. 2,855,276 provided to 06 Non-Government Organizations and sponsorship expenses without the approval of the Board of Directors amounted to Rs. 507,807 of and a sum of Rs. 2,267,750 had also been paid with the covering approval of the Board of Directors. It is informed that the payments will be made to provide donations or sponsorships with proper approval in future. -do-
- (g) Public Enterprises Circular No. PED / 03/2018 dated 07 December 2018 Paragraph 2.3 Without fulfilling of the requirements to be eligible for the Bonus, a sum of Rs. 1,751,175 had been paid to 145 workers as bonus for the year 2017/2018 . A bonus of Rs. 13,500 has been paid in the financial year 2018/2019 to each employee with the approval of the Board of Directors based on the net profit after tax of the year 2017/2018 amounted to Rs. 83,956,128 . -do-
- (h) Public Finance Circular No. 01/2014 dated 17 February 2014 Paragraph 5.2 . An Action Plan and an Internal Audit Plan for the year under review had not been prepared. The Company is already preparing an Action Plan for 2019/2023 in connection with the Colombo Business -do-

School as required
by the Circular.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a profit of Rs. 37,806,854 and the corresponding profit for the preceding year was Rs. 83,956,127. Accordingly, a deterioration of Rs. 46,149,273 was observed in the financial results. Even though it had increased the project income by Rs. 2,254,151 and other non-operating income by Rs. 7,620,149 and the income tax expenses had decreased by Rs. 20,198,900, the increase in project costs by Rs. 47,302,468, administrative expenses by Rs. 27,743,697 and other operating expenses by Rs. 1,247,394 had mainly attributed to this deterioration.

3. Operating Review

3.1 Uneconomic Transactions

Audit Observation -----	Comments of the Management -----	Recommendation -----
Due to non-payment of Royalties and taxes on the due dates for related projects, since it had to pay fines totalled to Rs. 1,671,985, with regard to that, Rs. 1,671,985 that expenditure had become an uneconomic expense.	A letter has been sent by the Bureau noting that a fine of Rs 1,513,857 will be charged as a delay of 03 days, and provisions were made accordingly. The taxes which was not paid relating to the year 2016/2017 has been remitted to the Department for the year 2016/2017 and this is a provision made from the financial year 2016/2017 on the uncertainty of the payment of Rs. 158,128 further shown in the 2018/2019 Accounts. A letter was also submitted to withdraw the fine.	Steps should be taken to recover the money.

3.2 Identified Losses

Audit Observation	Comments of the Management	Recommendation
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<p>(a) The Company had paid a sum of Rs. 35,840 in order to the activities done in external institutions by sand loading machines in Yakkala Sand Sales Centre and also a sum Rs. 90,000 had been paid for the 12 days whereas the machine was not operated.</p>	<p>Since there is a Green Ferry Format to be displayed in parallel with the opening of the Sand Sales Center, this machine has been used making payment of Rs. 35,840 for its' activities.</p>	<p>Steps should be taken to recover relevant money.</p>
<p>(b) The excavation work of the Kotikambokka Quartz Deposit which was handed over to the Company in the year 2017, had not been commenced until July 2019. Even so, lease a land to store quartz that would be excavated for three years, installation of a Surviving ground Scale to weigh the quartz, for employing security personnel including Rs 2,974,000, Rs 2,530,000 and Rs 3,017,050, respectively, a sum of Rs. 12,699,841 had been paid at the end of the year under review and that expense had been a futile expense. The Surviving ground Scale was kept in idle for 2 to 6 months during the warranty period.</p>	<p>As per the Cabinet Memorandum dated 17 March 2017, it has been decided that the excavation of the Mine should be carried out under the preliminary environmental approval. As the initial environmental supervision report has been approved by now, the project could be able to commence soon. Since the installation of the Surviving ground Scale was installed in the year 2016 and also it had to pay for the land continuously, necessary steps have been taken to remove the sensitive equipment in the Surviving ground Scale and bring them to the store in Yakkala and minimize the amount paid for the land.</p>	<p>It should work with plan and actions should be taken to avoid useless expenses.</p>

3.3 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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Even though a sum of Rs. 2,118,810 had been incurred for the Annual General Meeting and Employee Get Together, only the Annual Employee Get Together had been held.	Due to the political situation that prevailed in the country on 25 October 2018, only the Get Together had to be held on the due date.	Actions should be taken as planned.

3.4 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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It had incurred losses from 5 mineral and mining projects maintained by the Company amounted to Rs. 11,505,566 and Rs. 3,163,058 from 4 projects of explosion, supervision and consultancy services.	Stopping the Ampara Sand Project and the Hambantota Granite Project, non-commencement of Kotikambokka and Kantale Projects, and although the Yan Oya Project acquisition carried out by the Geological Survey and Mines Bureau, losses occurred due to it had to incur expenses on their employees and maintenance. However, arrangements have been made to account for the percentage of revenues on which the projects have been completed from the beginning of the the financial year 2019/2020.	Actions should be taken to achieve the desired results by managing the projects efficiently.

3.5 Transactions in Contentious Nature

Audit Observation	Comments of the Management	Recommendation
<p>(a) Despite all employees of the Company have been paid two bonuses based on the profit from the sand sale a sum of Rs. 1,588,677 had been paid to the employees of those projects as an allowance to achieve the targets based on the sales of sand sale projects in Manampitiya and Welikanda.</p>	<p>This incentive is not paid to the staff at Manampitiya and Welikanda at present and it has also been decided not to pay in future.</p>	<p>Arrangements should be made to pay the bonus as per the provisions.</p>
<p>(b) Although the Company did not have a requirement to promote sand supply for construction, a sum of Rs. 1,173,469 had been paid to the Commercial Chamber of Construction Industry of Sri Lanka for a request from the Geological Survey and Mines Bureau to sponsor a promotional discussion with regard to that.</p>	<p>The workshop conducted by the Commercial Chamber of Construction Industry of Sri Lanka was conducted involving experts in the construction industry in Sri Lanka and it has been sponsored for the related purpose with the prospect of getting into the construction industry in the future.</p>	<p>Promotion expenses should be incurred in terms of the Circular.</p>
<p>(c) The sand mining works in Manampitiya on the Mahaweli River was entrusted to the Company by a Supreme Court decision and the Company had obtained 92 mining permits for sand mining there. The Company has been drilling 36 sand dunes with those permits and the mining of 217 sand dunes had been assigned to a tipper association without agreement or approval. Due to the high demand for sand which was mined from Manampitiya area, although sand issuance has</p>	<p>The Manampitiya Sand Mining Project had a mining capacity of 19,320 cubes for 92 mining licenses and third parties have been linked to uplift the number of workers to increase sand production and it was possible to uplift the monthly sand production from 7,000 cubes to 19,000 under this mechanism. Sand was issued through the token system and sand was supplied for the accelerated development projects in the Polonnaruwa District on the</p>	<p>Sand mining and distribution should be done on the prescribed methodologies and approvals and act according to the Supreme Court Decision.</p>

to be done on a specific basis no such system was introduced. Out of 187,799 sand cubes 44,481 sand cubes mined during the year under review, the development projects in the Polonnaruwa District had been issued on a priority service basis and as expected by the Supreme Court decision, the Project had failed to address the sand shortage in other parts of the island including Colombo.

recommendation of the District Development Committee and the District Secretary of Polonnaruwa. Every step will be taken to meet the sand requirement in Colombo and other parts of the country.

3.6 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
A loading machine purchased in the year 2009 for a sum of Rs. 8,883,520 had been remained in idle for 2 years and 6 months.	Since it costs a lot to repair the machine it is kindly inform that the approval of the Ministry had not been received.	Actions should be taken to utilize the asset.

3.7 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) A Procurement Plan for the year 2017/ 2018 had not been prepared in terms of the Procurement Guideline 4.2 .	The Procurement Plan for the year 2017 /2018 has been presented with the Budget for that year.	Arrangements should be made in terms of Procurement Guidelines .
(b) The Company had not followed Procurement Guidelines when purchasing of goods for a sum of Rs. 1,593,057 and preparation	Due to shortcomings in forecasting certain requirements, some purchases are recognized as deficiencies since it had to work outside	

of Corporate Plan for the procurement process and it is informed that the requirements will be accurately forecast in future.

- (c) Actions had not been taken to enter in to agreements in respect of payment of Rs. 29,001,002 for providing 63 employees in the year under review to the Geological Survey and Mines Bureau. A sum of Rs. 820,000 to the Department of Civil Security for obtaining security service and a sum of Rs. 476,096 for obtaining vehicles on rent basis had been paid in contrary to the agreements.
- Actions have been taken to enter in to an agreement when deploying the employees to Geological Survey and Mines Bureau by now. Since the officers of the Department of Civil Security had been deployed additionally on the requirement of service the payments had been made according to that. The Agreements could not be revised by a mistake. There is no mention of overtime in the agreement provided for vehicles and the conditions of payment for the overtime and the way of making payment when it exceeds the monthly running limit have already been included in the relevant agreements.
- Actions should be taken to enter in to Agreements.
- (d) A sum of Rs. 916,200 had been paid at 03 instances up to 60 percent from contract value as advances for commencement of work in contrary to Procurement Guideline 5.4.4 .
- It is accepted that the providing of advances up to 60 per cent in contrary to Procurement Guideline as a shortcoming and it is kindly informed that the arrangements will be made not to occur that deficiency in future.
- Arrangements should be made in terms of Procurement Guidelines.
- (e) A portion of the land which was obtained by the Geological Survey and Mines Bureau without any legal agreement or alienating, had been taken over by the Company without an agreement.
- Since the Geological Survey and Mines Bureau and the Gampaha Regional Office have agreed verbally to establish a Sand Sales Center in the land, considering the controlling of sand prices as a national requirement, an
- Arrangements should be made to enter in to agreements.

agreement had not been entered in to. It is kindly inform that a written agreement will be entered in to before such projects commenced in future.

3.8 Resources Released to the Other Organizations

Audit Observation	Comments of the Management	Recommendation
The fixed assets which were used in the Yan Oya Sand Mining Project Office belonging to the Company amounted to Rs. 1,833,038 had been handed over to the Geological Survey and Mines Bureau without recovery of the value.	An invoice valued at Rs 2,107,993.39 had been issued on 31 March 2019 for the recovery of fixed asset value.	Actions should be taken as per the Circular provisions.

3.9 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
The total number of staff of the Company was of 256 and of which 193 were employed in the Company and 63 had been occupied on hire in the Geological Survey and Mines Bureau. The Company had recruited 82 employees for 30 positions on a contract basis during the year under review. However, arrangements had not been made to identify or approve the number of staff required to the Company even by the end of the year under review.	Necessary steps have been taken to approve the Cadre of the Company by now.	Actions should be taken to identify the necessary number of staff to the Company and to get the approval.