

1.1 Qualified Opinion

The audit of the financial statements of the GSMB Technical Service (Pvt) Limited for the year ended 31 March 2020 comprising the statement of financial position as at 31 March 2020 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Enterprises.

1.2 Basis for Qualified Opinion

My opinion is qualified based 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 Standard for Small and Medium-sized Enterprises 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 it 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 reference to Relevant Standard	Comments of the Management	Recommendation
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Although there was a sum of Rs. 15,297,192 for more than 5 years within the balances receivable totalled to Rs. 66,111,15 in the Company as at 31 March 2020, actions had not been taken to identify the impairment losses in accordance with 11.21 of the Standard.	Agreed. Actions will be taken to identify the impairment losses from next year in accordance with the Standard.	Actions should be taken in accordance with the provisions of the Standard.

1.5.3 Accounting Deficiencies

Audit Observation -----	Comments of the Management -----	Recommendation -----
<p>(a) A sum of Rs. 30,497,926 allocated from the revenue received from sand mining in the Kantale Suriyapura area for the construction of 03 groynes of the Mahaweli River and the expenses incurred in connection with it amounting to Rs.31,433,216 had not been brought to accounts and only the overpayment of Rs.935,289 had been mentioned in the accounts. Although assets and liabilities should not be set off in terms of Sri Lanka Accounting Standards for Small and Medium Enterprises 2.52, as a result of the relevant overpayment was set off to the trade payable, the liabilities and assets had been understated by the same amount.</p>	<p>An amount from each sand cube has been credited to a separate account for rehabilitation purposes and the relevant payments have been credited to the above account based on a preliminary agreement reached at the beginning of the Construction of groynes of the Mahaweli River Project. This account is also being maintained in the same way of the accounts of other projects.</p>	<p>All transactions should be accurately accounted for.</p>
<p>(b) As a result of applying a 24 per cent tax rate instead of the 28 per cent tax rate when calculating income tax liabilities in the last quarter of 2019/2020, income tax expenditure and the tax liability had been understated by Rs. 674,397 . Because of this, the deferred tax assets and the deferred tax liability had been understated by Rs. 824,512 and Rs. 47,358 respectively and the deferred tax revenue had also been understated by Rs. 777,154 in calculating deferred tax assets and deferred tax liabilities in terms of Accounting Standards for Small and Medium-sized Enterprises 29.27.</p>	<p>It has been carried out on the advices of knowledgeable parties on income tax and from the Tax Advisory Services Division after verification of all the calculations from the Department of Inland Revenue.</p>	<p>Arrangements should be made as per the provisions.</p>

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| <p>(c) As a result of non-settlement of over-valued invoice amount of Rs. 2,049,600 for two projects relating to the years 2010 and 2011, the balance receivable and the income had been overstated by the same amount.</p> | <p>Necessary actions will be taken to remove the over-valued invoice amount from the books in the next year.</p> | <p>Arrangements should be made to account for the revenue accurately.</p> |
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1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
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<p>(a) The relevant institutions had rejected two outstanding balances amounting to Rs. 2,849,250 stated in the financial statements at the time of confirmation of the balances.</p>	<p>Necessary actions will be taken to remove the rejected balances from the accounts.</p>	<p>Actions should be taken to confirm all the debtor balances.</p>
<p>(b) An advance of Rs.5,124,500 had been issued for project activities exceeding an amount of Rs.100,000 on 10 occasions without the approval of the Treasury. Twenty seven sub-imprest balances amounting to Rs.2,925,124 and 24 petty cash imprest balances amounting to Rs.466,096 had not been settled even by the end of the year and the advances amounting to Rs.2,982,000 provided on 17 occasions had been settled with delays up to 115 days.</p>	<p>The advances have been given according to the nature and the requirements of the projects with the approval of the Executive Officer and the Manager in charge. Measures will be arranged to settle the advances provided before the last day of the financial year of imprests issued .</p>	<p>Steps should be taken to obtain the relevant approval and settle the advances before the last day of the financial year.</p>

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) Section 40 of the National Audit Act No. 19 of 2018	There was no an Internal Auditor since 31 March 2019 and an Internal Audit Plan as well unavailable for the Company for the year under review.	Action will be taken to fill the vacancy in the Internal Audit Division and to prepare and submit an Audit Plan in future.	It Should act in accordance with the provisions of the Act.
(b) Public Enterprises Circular No. PED/ 12 dated 02 June 2003			
(i) Paragraphs 4.2.2 and 4.2.6	The Company had not prepared Quarterly, Semi-annual and Annual Performance Reports and submitted them to the Board of Directors.	Performance Reports will be prepared and submitted to the Board of Directors in future in accordance with the Circular.	It should act in accordance with the Circular.
(ii) Paragraph 5.2.3	A Budget for the year under review had not been prepared.	Since a Budget for the year 2019 had been prepared to end the financial year 2019 with effect from 31 December, a Budget was also prepared from January to March 2020.	-do-
(iii) Paragraph 6.5.1	The accounts of the year under review were submitted to the Auditor General on 16 July 2020.	Preparation of final accounts were delayed due to the Covid-19 epidemic. Actions will be taken to submit the accounts within 60 days from the end of the financial year in future.	-do-

- (iv) Paragraph 6.5.3 The Annual Reports from the years 2015/2016 to 2018/2019 had not been tabled in Parliament even by 31 August 2020. The Annual Reports relevant for the years from 2015/16 to 2018/19 have been prepared and submitted to the Line Ministry. -do-
- (v) Paragraph 8.3.3 Even though the maximum incentive/bonus payable is 2 months' salary, a sum of Rs. 9,211,983 had been paid to the employees as incentive allowances for the year 2018/2019 based on the gross salary for 3 months. The relevant incentive had been approved by the Board of Directors prior to the release of the audit report for the year 2018/2019 also. The payment made on 11 September 2019 was not a bonus but an incentive. Even though the Board of Directors had approved the payment of incentives based on the profit before tax for the year 2018/2019 by the time of the issuing of the Audit Report 2019, the payments were made only after that. -do-
- (c) Paragraph 2.2 of Public Enterprise Circular No. PED 03/2015 dated 17 June 2015 A sum of Rs. 50,000 per month as Chairman's allowance totalled to Rs.550,000 and sitting allowance for 8 Directors for Meetings of Board of Directors totaling to Rs. 257,000 had been paid without obtaining the concurrence of the Minister In Charge and the approval of the Minister of Finance. Chairman's allowances and sitting allowances of Board of Directors have been paid with the approval of the Board of Directors. Actions will be taken to obtain the approval of the Secretary to the Ministry and the Minister of Finance for the payment of allowances in terms of the Circular. -do-

- (d) Paragraph 6.5 of the Public Enterprise Circular No. PED/ 03/2019 dated 09 December 2019 Despite the requirements to qualify for the bonus have not been met, a sum of Rs. 2,027,339 had been paid to 161 employees as bonuses for the year 2018/2019 without the approval of the Board of Directors. A bonus of Rs. 13,500 per employee had been paid in the year 2019/2020 with the approval of the Chief Executive Officer based on Circular No. PED / 03/2019 dated 09 December 2019. -do-
- (e) Paragraph 5.2 of the Public Finance Circular No. 01/2014 dated 17 February 2014 An action plan for the year under review had not been prepared. Actions will be taken to prepare an Action Plan from 2021 in accordance with the Circular. -do-

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a profit of Rs. 37,887,098 and the corresponding profit for the preceding year was Rs. 37,806,854. Accordingly, an increase of Rs. 80,224 was observed in the financial results. Even though the increase of project income by Rs. 11,066,984 and other non-operating income by Rs. 14,169,455, because of the decrease of project expenses by Rs. 6,295,207 and the increase in administrative expenses by Rs. 30,249,060 and financial expenses by Rs. 987,843, there was no considerable increase in the financial result.

3. Operating Review

3.1 Uneconomic Transactions

Audit Observation

Even though 103,128 cubes of sand had to be mined by January 2020 as per the agreement entered into with

Comments of the Management

The commencement of the Project was delayed due to the objections made by various

Recommendation

Actions should be taken to consider the relevant costs

the Mahaweli Authority of Sri Lanka and the Company for sand mining in the Suriyapura Thummodara area in Kantale, only 41,297 cubes of sand had been excavated by 19 August 2020. Due to agreeing to provide a bank guarantee without considering the relevant cost when entering into an agreement with the Mahaweli Authority of Sri Lanka for sand mining, the commission of Rs. 900,000 that had to be paid was an uneconomic expense for the Company.

parties regarding the Project and the rain and it could not be carried out successfully as well. As a result of the Mahaweli Authority had suspended the agreement, Project period and the bank guarantee had to be extended.

when entering into a agreements to execute projects efficiently.

3.2 Management Inefficiencies

Audit Observation

Documents remained in 03 container offices and the assets valued at Rs.771,375 had destroyed due to the fact that a fire broke out at the Manampitiya Project Office on 19 November 2019. At that time, the officers of the Civil Security Department had been deployed for security and the inactivity of CCTV camera system installed was also had led to controversy. Although the police report stated that this was a deliberate arson, the Company had not conducted an internal investigation in this regard and had not obtained an insurance compensation also for the damaged assets.

Comments of the Management

The Sri Lanka Police is taking legal actions against the security personnel who were on duty at the time of the fire broke out and this incident had took place before the company had restored the inactive CCTV camera system. Since this incident appeared to be a purposely done, an internal investigation was not carried out because of the investigation was handed over to the police for an impartial investigation. The required documents have been submitted to obtain insurance compensation for damaged assets.

Recommendation

Arrangements should be made internal investigation should be carried out to identify the culprits and seek insurance compensation.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) The authority to take the necessary steps to carry out sand excavations in the Manampitiya area of the Mahaweli River and to sell sand as a solution of the sand shortage in Colombo and other areas for the control of the flood circumstances in the Polonnaruwa District had been entrusted to the Company by the Judgment of the Supreme Court No. SC(F/R)no81/04 dated 31 March 2008. However, due to the lack of permission from the Department of Wildlife Conservation and the expiration of other permits for sand mining in the downstream area by Phase II of the Project, the sand mining works had been abandoned after November 2019 and as a result of sand deposits exists in the area furthermore, controlling of the flood as expected by Supreme Court had become a challenge. Further, the Company had not introduced a fair and specific method of issuing sand and due to the fact that the issuance of 85 per cent for lorries in the Polonnaruwa District and 15 per cent for lorries outside the District from the sand excavated from the Project, it could not be satisfied in audit whether the Company had acted to provide a solution to the shortage of sand in Colombo and other areas of the island through the Project as expected by the Supreme Court Judgment.</p>	<p>Seventy-five per cent had been allocated for lorries registered in the Polonnaruwa District from 06 January 2020. Destinations were never restricted when issuing sand and most of the Project sand had been sent to Colombo and other Districts. Therefore, the non-achievement of intended objectives of the Supreme Court Judgment had not occurred.</p>	<p>Necessary steps should be taken to comply with the Judgment of the Supreme Court.</p>

- (b) Despite of the Department of Wildlife Conservation had not given permission to carry out sand excavation in Phase II of the Manampitiya Sand Mining Project after 16 October 2018, a 3,120.5 cubes of sand had been excavated during the period from August to November 2019.
- The commencement of the Project was delayed due to the delay in the receiving of the approval of the relevant institutions. However, excavations have not been carried out beyond the period for which the excavation permits were issued.
- Steps should be taken to carry out excavations only on relevant approvals.
- (c) A workshop had been held on 22 June 2020 incurring a sum of Rs. 2,893,340 with the covering approval of the Board of Directors to adopt the sand miners who are working on sand projects in the Polonnaruwa District to the Green Sand Ferry Concept. A sum of Rs. 235,000 had been paid for this by connecting a private organization instead of the officers of the Geological Survey and Mines Bureau. Out of 1500 bags of dry food items prepared at a cost of Rs.1,049,000 to be distributed to 1500 sand miners, 934 had been distributed to sand miners on that day and the relevant details of the distribution of the remaining 566 bags of dry food items valued at Rs. 396,000 were not disclosed. The Green Sand Ferry Concept had not been properly implemented on the corridors of many of the sand projects of the Company and the intended objectives of the workshop had also not been achieved.
- The approval was obtained after conducting the workshop since the relevant workshop had to be held promptly. The organizing of lectures and programmes were entrusted to the Colombo School of Business Management because it is a pioneer in organizing such programmes. The programmes will be organized by minimizing the costs and subject to regulations and the approval of the Board of Directors in future.
- Workshops should be organized only with the relevant approval and necessary steps should be taken to achieve the desired objectives.
- (d) Although it had been entrusted to the Company in 2017 to mine the quartz from the Kotikambokka Quartz Deposit and export value added with the approval of the Cabinet of
- A land has been obtained on lease basis to carry out Project activities and a ground scale has been purchased for weighing.
- Necessary steps should be taken to commence the project promptly.

Ministers, and the Project had not been commenced until August 2020 and it had failed to enter in to a specific decision on whether carrying out a Initial Environmental Examination (IEE) is sufficient instead of an Environmental Impact Assessment (EIA) for the Project. Even though it had failure to earn any income from the Project since 2017, the Company had spent a sum of Rs.3,720,00 to obtain a land on lease, Rs.2,200,000 to install a weigh bridge to weigh the excavated quartz and including Rs. 4,562,750 for its security a sum of Rs.20,471,481 as revenue nature expenditure and capital expenditure.

Since it was difficult to find another land, arrangements have been made to pay rent for the land used up to that point and the service of security officers was obtained for the protection of the ground scales. Since the arrangements have been made to commence the Project, there is a possibility to cover the expenses incurred and earn extra profits.

(e) Actions had not been taken until 31 August 2020 to recover the excess of Rs. 854,506 in license fees pertaining to 2 projects paid to the Forest Department in the years 2017 and 2019.

Reminder letters have been sent regarding the recovery.

Actions should be taken to recover the relevant amount.

(f) The 40-kilowatt generator purchased for the Manampitiya Project at a cost of Rs. 2,423,224 had been installed on the roof of a container without any cover and safety.

As the generator is water and sun resistant preparation of covers are not required. It has been installed on a container to protect from creatures and it has the ability to carry weight.

Actions should be taken to provide security for assets.

3.4 Transactions in Contentious Nature

Audit Observation

Comments of the Management

Recommendation

Distress loans amounted to Rs.11,566,088 had been paid to 64 employees who were recruited for one-year contract service period on the basis of recovery within 3

The loan scheme which specifies the terms and conditions of disbursement and recovery of distress loans has been implemented with the approval of

Actions should be taken to recover the loan and to get approved a loan scheme within the

years on a Decision of the Board of Directors. the Board of Directors since September 2010. Since the contract period. service employees of the Company are not permanent employees, the contract basis employees have to be used as the guarantors.

3.5 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
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The loading machine purchased by incurring Rs. 8,883,520 in the year 2009 for the loading of sand in Manampitiya sand excavation Project had remained in idle since 2016 and its engine had been repaired at a cost of Rs. 966,595.	Agree with the facts. Actions are being taken to dispose under the valuation of an assessor.	Actions should be taken to use or dispose the asset.

3.6 Procurement Management

Audit Observation	Comments of the Management	Recommendation
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(a) Purchasing of dried food items at a cost of Rs. 972,000 from 02 organizations for distribution at a workshop held in Polonnaruwa and purchasing and installation of 16 CCTV cameras valued at Rs. 689,030 at the Manampitiya Project Site obtaining bids from one organization had been carried out without following the procurement procedure. Despite having a one-year warranty period for the operation of the CCTV camera system, a sum of Rs. 124,500 had been paid for transport and maintenance and 03 cameras were inactive and some cameras were even focused outside the intended view.	Due to the urgent needs, bids were called from Lanka Sathosa and food items have been purchased at lower prices on the instructions of the Chairman. The CCTV system has been installed obtaining a technical proposal from only one institution on requirement as mentioned there. The footage on the camera systems was repaired and repair costs were incurred for parts of the CCTV system that had not been given a warranty period.	Actions should be taken in terms of the Procurement Guidelines.

- (b) A sum of Rs. 2,524,703 had been paid outside the proper certification by an engineer for the construction of two toilet systems without following proper procurement procedures at the Manampitiya Project Site. The relevant payments have been made on the recommendation of the Technical Officer assigned to monitor the technical standards of the toilet system. -do-
- (c) Even though the Department of Irrigation had submitted an estimate of Rs. 148,900,000 for the construction of 03 groynes in the Mahaweli River in the Suriyapura area in Kantale, it could not be accepted because of the figures printed were cut and changed. An advance of Rs. 1.7 million had been paid to the Special Project Manager who had been recruited on contract basis to purchase 60 lots of Cube 3 granite for the Project and the Project Manager had paid Rs. 1,397,260 to a selected institution to lay 418.8 cubic meters of granite to put up groynes without following the procurement guidelines. Further, the task of constructing Safety Dams had been entrusted to 05 Farmers' Organizations without entering into agreements and a sum of Rs. 29,642,509 had been paid as at 31 March 2020 without the certification of an Irrigation Engineer or a Civil Engineer with regard to that. Out of these, the retention amount had not been deducted in 3 interim payments of Rs. 7,751,062 in terms of Procurement Guidelines 5.4.6. The Irrigation Engineer (Hydropower) and Superintendent of Hydropower had stated in a report submitted on 13 July 2020 that the relevant construction had not been carried out in accordance with the stipulated standard. Actions will be taken to call an estimate containing the printed figures from the Department of Irrigation. Measures have been arranged as per the decisions taken to purchase 60 lots of granite directly and to construct erosion dams. In addition to all the Engineers and Technical Officers of the Department of Irrigation, the Engineers of the Mahaweli Authority of Sri Lanka had supervised all construction works and payments have been made based on the logs notes made during those inspections. Agree with the fact mentioned in the report regarding not entering into an agreement with the farmers' organizations. -do-
- (d) Specifications and bidding documents had not been approved in accordance Obtaining of the report of the Technical Evaluation -do-

with Procurement Guidelines 5.3.1 (d) in purchasing 7 containers for the use as offices and a relevant record had also not been maintained pertaining to the issuance of bidding documents in accordance with Guideline 6.4.1 . After purchasing 7 containers following the Procurement Guidelines, 3 more containers had been purchased again at a higher price under the shopping method in a period less than one month.

Committee and the approval of the Procurement Committee have been made prior to the publishing of newspaper advertisements. Relevant records have been kept for issuance of bid documents in future. Since only one bid was submitted at the time of purchase of 07 containers, actions were taken to re-bid. It is stated that the actions are being taken focusing on the Procurement Guidelines.

3.7 Human Resources Management

Audit Observation

Even though the approval for the recruitment of staff of 224, including 175 employees of the Company had been requested from the Department of Management Services, the approval had not been received up to 31 August 2020. Applications were called through a newspaper advertisement for the recruitment of 3 posts of Human Resource Manager, Procurement and Supply Manager and Marketing and Planning Manager and all the three officers occupied at present had been recruited. The recruitment process had not been conducted in a fair and transparent manner due to the facts that the failure to properly document the applications received on a daily basis during the relevant recruitment process and rejection of applications on unreasonable comments, providing of marks in the interviews without an approved specific procedure and non-submission of the relevant methods of giving marks to the audit etc.

Comments of the Recommendation Management

The Employee Plan has Arrangements been sent to the should be made to Department of approve the Management Services for Employee Plan and approval. As pointed out, to carry out it is acknowledged that recruitments properly. recruitment for managerial positions should be carried out in a proper and transparent manner.