

## **Geological Survey and Mines Bureau and Its Subsidiary -2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of financial statements of the Geological Survey and Mines Bureau (“Bureau”) and its Subsidiary (“Group”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance , 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 reported 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 Bureau and the Group as at 31 December 2023 and of its financial performance and its cash flows for the year then ended, in accordance with Sri Lanka Public Sector Accounting Standards.

#### **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 Public Sector 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 Bureau’s and the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern of the Bureau and the Group and using the going concern basis of accounting unless management either intend to liquidate the Bureau and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bureaus and the Group’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bureau and the Group are 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 Group.

## 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau and Group'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 Bureau and Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit 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 audit report. However, future events or conditions may cause the Bureau and Group 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 Bureau and Group and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Bureau and Group have complied with applicable written law, or other general or special directions issued by the governing body of the Bureau and Group;

- Whether the resources of the Bureau and Group had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations on the Preparation of Financial Statements

### 1.5.1 Geological Survey and Mines Bureau

#### 1.5.1.1 Non-compliance with Accounting Standards

Audit Observation	Comment of the Management	Recommendation
a) Detailed notes had not been presented with respect to the items mentioned on the face of the statement of comprehensive income of the Group and the Bureau in terms of Paragraphs 106-115 of the Sri Lanka Public Sector Accounting Standard 01.	Action will be taken to present the notes in due course.	Detailed notes should be presented on the items mentioned in the statement of comprehensive income in accordance with Sri Lanka Public Sector Accounting Standards.
b) The new laboratory building and the office building of the Bureau in Kurunegala had been in use after completion of constructions, but the costs amounting to Rs. 421,620,219 and Rs. 7,820,949 incurred thereon respectively had been shown as work in progress. Due to failure in adhering to Paragraph 69 of the Sri Lanka Public Sector Accounting Standard 07, depreciation on buildings for the year had been understated by Rs. 21,472,058 in the financial statements.	Necessary adjustments will be made in the financial statements of the year 2024.	Assets and depreciations should be correctly brought to accounts in accordance with Sri Lanka Public Sector Accounting Standards.
c) Although a balance of Rs. 328,203,924 had been shown as “post service benefits” as at 31 December 2023, action had not been taken in terms of Paragraph 61 of the Sri Lanka Public Sector Accounting Standard 19 to make use of actuarial techniques in order to satisfactorily estimate the value of benefits earned by the employees.	Allocations for the payment of gratuity had been made accurately.	Actuarial techniques should be used in accordance with Sri Lanka Public Sector Accounting Standards.

### 1.5.1.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
a) Bank securities totalling Rs. 463,177,325 collected from licensees with respect to land rehabilitation had been encashed after expiry and deposited in current accounts and fixed deposits. The balance of the land rehabilitation fund account relating thereto amounted to Rs. 383,426,675 thus indicating a difference of Rs. 79,750,650.	This difference had been attributable to the fact that interest on the rehabilitation bond account and the field inspection fees recovered from the rehabilitation bond balances in the current year, had been credited to the relevant account. Action had been taken to credit the other taxes to the relevant accounts.	Monies received through the release of land rehabilitation funds, should be correctly accounted for.
b) The revenue of Rs. 26,495,395 collected by the Divisional Secretariats island wide through the issue of licences to transport sand, soil and gravel, had been shown as a balance in suspense rather than being brought to accounts as a revenue.	The sum with respect to licences issued by the Divisional Secretariats for sand, soil and gravel, should be brought to accounts.	Revenue generated through transport licence, should be brought to accounts under the correct Head of Revenue.
c) Action had not been taken to recognize and account for the sum of Rs. 17,516,623 that had directly been credited to the bank account of the Bureau by the customers from January 2022 up to the end of the year under review; instead, that sum had been shown in the financial statements as a payable balance.	Direct deposits of the customers had been shown in a payable account only until receipts were issued after identifying the relevant customers whom licences would be issued to. The relevant divisions will inform the financial division on the reasons for making direct deposits.	Direct deposits should be identified and brought to accounts.
d) The revaluation surplus of Rs. 404,444,958 resulted in when the motor vehicles valued at Rs. 13,680,042 had been revalued to be Rs. 418,125,000 in the year under review, had been credited to the revaluation reserve account as Rs. 418,125,000 thereby deducting from the revenue. As such, the revaluation	Corrective measures will be taken in due course.	The asset revaluation excess should be correctly brought to accounts.

reserve had been overstated by Rs. 13,680,042 whereas the profit had been understated by that amount.

### 1.5.1.3 Lack of Documentary Evidence for Audit

Item	Amount Rs.	Audit Evidence not Made Available	Comment of the Management	Recommendation
A detailed schedule and an age analysis on the advance of Rs. 194,454,748 obtained for issuing transport, mining and exploration licences mentioned under other payable advances, had not been made available to the Audit. As such, the accuracy thereof could not be verified.	194,454,748	Detailed schedules and age analyses.	According to the methodology being followed, fee of the licence is obtained as advance when a licence is requested by the applicant. Once the licence is issued, those monies are transferred to the revenue account from the advance account. Until then, the monies are accounted for as payable advances. An age analysis has been given in that connection since 2023. Having examined the files for preceding years, the relevant division has been instructed that the advance to kept in accounts until paid, be presented with the financial statements.	Information required for the Audit should be made available.

## 1.5.2 GSMB Technical Services (Pvt) Ltd

### 1.5.2.1 Non-compliance with Accounting Standards

Audit Observation	Comment of the Management	Recommendation
A number of 1,109 items of non-current assets costing Rs.90,853,735 had been continuously used by the Company after being fully depreciated in terms of Paragraph 19 of the Sri Lanka Accounting Standards for Small and Medium Scale Enterprises	When assets are revalued according to the Accounting Standard, the entire class of assets should be revalued. As such, the economic benefits for the institution considering the financial cost, time and revaluation of assets, had not been taken into consideration. It was assumed that there was no	Fair value of assets should be shown in accordance with Accounting Standards.

17. However, action had not been taken to re-assess the useful life and scrap value of those assets in order to show the fair value in the financial statements.

material difference between the carrying amount and fair value of the asset. Secretary to the Treasury had informed on 2018/12/31 that assets would not be revalued as per Accounting Standards.

An explanation in this regard has already been given in Accounting Standard 3.07.(d) and it is expected to further explain through the Note No. 12.3 to Accounts.

### 1.5.2.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
<p>a) Expenditure on royalty and licence fees of the Manampitiya sand project amounted to Rs.86,352,396, but that value had been understated by Rs. 8,280,047 thereby adjusting the sum of Rs.78,072,349 in the financial statements. As such, the profit had been overstated by that amount.</p>	<p>As per your audit query, royalty and licence fees had been computed based on the Manampitiya project. However, the balance shown as expenditure in the financial statements, can be summarized as given blow. The expenditure shown in our financial statements is Rs.76,659,980, and the difference thereof is Rs. 9,692,416. The reason attributable thereto is the adjustment of over-allocations made by us for the year 2022.</p>	<p>Royalty should be computed accurately based on the area of mining, and brought to accounts.</p>
<p>b) Despite the lack of a stock of sand as at 31 December 2023 at the sand mining project in Kantale that remained non-functional as at 10 July 2022, a sum of Rs.10,603,916 had been shown in the financial statements of the year under review as the value of a stock of sand. As such, the stock had been overstated and the profit had been understated by the same amount. No action has been taken thus far on the said shortage of stock.</p>	<p>A special investigation had been conducted on the sand mining project in Kantale in the year 2023 by a Committee comprising members from various divisions of the Company appointed by the Geological Survey and Mines Bureau and the Chief Executive Officer of our Company. Report of the said inquiry had been presented to the Chairman, Chief Executive Officer, audit and management committee, Board of Directors, and Ministry of Environment. Based on the recommendations and instructions therefrom, it is expected to take further action and</p>	<p>Stocks should be verified physically and brought to accounts after ascertaining the accuracy. Action should be taken against the officers responsible for the shortage of stocks.</p>

make adjustments on the shortage of stocks in due course.

## 1.6 Accounts Receivable and Payable

Audit Observation	Comment of the Management	Recommendation
<p>a) An expenditure on royalty amounting to Rs.5,794,943 overpaid by the Company had been recognized as a balance receivable to the Company from the Bureau in the financial statements of the GSMB Technical Services (Pvt) Ltd, the subsidiary company of the Bureau. Nevertheless, that balance had not been recognized as a payable balance in the financial statements of the Bureau. The sum of Rs.1,487,602 payable to the Bureau relating to the field inspections of the sand mining project in Manampitiya, had been recognized as a payable balance in the financial statements of the Company, but that sum had not been recognized as a receivable balance in the financial statements of the Bureau.</p>	<p>The overpaid royalty had been set off against the royalty payable for the budgetary quarter of the year 2023. The balance payable without informing the Bureau despite being recognized by the subsidiary, amounted to Rs.1,487,602. This had not been informed to the Bureau by the subsidiary.</p>	<p>Receivable and payable balances should be settled.</p>
<p>b) Action had not been taken up to the end of the year under review to settle the balance totalling Rs.2,031,643 payable to suppliers relating to the period 2009-2022.</p>	<p>Settlement should be done with information retrieved from old files. As such, it is kindly informed that the explanations will be given within the next 14 days.</p>	<p>The receivable and payable balances should be settled.</p>

## 1.7 Non-compliances with Laws, Rules, Regulations, and Management Decisions

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
<p>a) Mines and Minerals Act No. 33 of 1992 as amended by the Act No. 66 of 2009.</p>	<p>As the Bureau had not introduced the steps</p>	<p>The report containing criteria for value</p>	<p>Steps to be followed for value</p>
<p>(i) Section 12 (e)</p>			

<p>to be followed for value addition to minerals, the plumbago, mineral sands, and quarts that had been mined, were exported as raw materials without value addition</p>	<p>addition to minerals, has been presented to the Minister. Data generated when the Bureau executed its functions, and spatial data had been published through the Mineral Year Book. Furthermore, such information can be obtained from the library of the Bureau.</p>	<p>addition to the minerals, should be introduced.</p>
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<p>(ii) Section 28 (1)</p>	<p>A methodology had not been put in place to grant licenses for transporting products related to granite.</p>	<p>A licence should be obtained to transport minerals in terms of Section 28 (4) of the Mines and Minerals Act No. 33 of 1992. However, according to the methodology currently being followed for mining granite, that process should be done in accordance with 03 licences viz. the mining license as per Mines and Minerals Act and the amended Act No. 66 of 2009, environmental protection licence from the Central Environmental Authority as per the National Environmental Act, and the licence for using explosives in accordance with Explosives Act. It is the responsibility of the Bureau to maintain a fixed price for minerals, and</p>	<p>Provisions of the Act should be followed.</p>
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having taken into consideration all the matters relating to the measures for regulation, the Bureau has decided not to issue licences for transporting granite.

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| (iii) Section 52 (2) | The lands of mining should be rehabilitated after completion of mining, but the Bureau had not taken action to get the mining lands rehabilitated by 1,918 permit holders. | Rehabilitation works of the mining lands are in progress under supervision of the mine safety division of the Bureau. | The lands where mining had been done should be rehabilitated. |
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b) Public Enterprises  
Circular, No. 01/2021  
dated 16 November 2021  
relating to the public  
enterprises;

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| (i) Section 2.2.5 of the Guidelines relating to institutional administration. | The Board of Management of the Bureau is responsible for continuous review of the functionality of the subsidiary company, becoming aware of the risks and other issues having an effect on the Bureau, and observation of inter-company transactions. Nevertheless, it had not been done so. | Agreed with the matters pointed out by the Audit, and action will be taken in accordance therewith. | Functionality of the subsidiary should be reviewed.     |
| (ii) Section 3.5 of the Guidelines relating to institutional administration.  | The staff should not be released to the Line Ministry or other institutions without being approved by the   | Agreed with the matters pointed out by the Audit, and action will be taken in accordance therewith. | The staff should not be released to other institutions. |

Cabinet and salaries for the period of release should not be paid to the employees so released. Nevertheless, a sum of Rs. 963,600 had been paid as salary to a registrar attached to the Presidential Secretariat for the period from February 2023 to 31 December 2023.

## **2. Financial Review**

### **2.1 Financial Results**

The operating result of the year under review was a profit of Rs.1,159,672,376 as compared to the corresponding profit of Rs.1,969,642,374 for the preceding year, thus observing a decline of Rs.809,969,998 in the financial result. Although the financial revenue had increased by Rs. 393,742,056, this deterioration had mainly been attributed by the decrease in revenue by Rs.1,454,882,583 and increase of administrative expenses by Rs.137,675,495.

## **3. Operating Review**

### **3.1 Uneconomic Transactions**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
a) The fuel tank built at the premises of the Head Office in the year 2022 at an expenditure of Rs.1,500,256, had not been used even up to the end of the year under review.	The management had obtained approval of the Board of Directors to sell the fuel tank. Action is being taken to call for bids and a final decision will be taken after a cost benefit analysis considering the bids received.	The fuel tank should be made use of.
b) Consultancy service of a chartered engineer had been obtained for preparation of bid documents relating to the construction of Divisional office in Polonnaruwa, and a sum of Rs.2,105,200 had been paid up to 31 December 2023. Additionally, the said chartered engineer had been appointed as the Chairman of the Technical Evaluation	To seek technical assistance on miscellaneous development projects implemented on the lands of the Bureau, service of a civil engineer in Government service had been obtained under approval of the Board of Directors. Consultancy service had been obtained at a low price from the said civil engineer when constructing the regional office in	It is necessary to inquire again on the failure to follow the Procurement Guidelines. The constructed building should be made use of.

Committee of the said project, thus resulting in a conflict of interest relating to the procurement process. For constructions up to 01 April 2022, a sum of Rs. 19,253,840 equivalent to 23 per cent of the contract value had been paid to the contractor by way of 04 interim payments, but no evaluation had been done on the physical progress of the works done. As the said construction had come to a halt over a period of 02 years, the building could not be made use of.

Polonnaruwa. The same engineer had been appointed as a member of the Technical Evaluation Committee. Following the request for bids, 14 institutions had submitted bids, and the lowest bidder, being a semi-government institution, named Central Engineering Services (Pvt.) Ltd had been selected by the independent Technical Evaluation Committee. In that instance, assistance of the civil engineer with technical know-how had been obtained by the Technical Evaluation Committee. It was not observed that procurement process had not been done independently.

Action is being taken to analyze the physical progress of works done for which payments had been made to the contractor thus far, thereby settling the payments to be made to the old contractor. Action has been taken to extend the performance surety of old contractor thus retaining him under control of the Bureau until then.

As action is being taken to complete the rest of the works of the new building under guidance of the new consultant, it is informed that the expenses incurred thus far, are not uneconomical.

### 3.2 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
a) The debtors' balance of Rs.513,490,321 comprised a sum of Rs.3,207,738 continued to exist over 05 years, but action had not been taken up to the date of audit to recover those balances.	Those debtors have been blacklisted, and further action will be taken on the decision of the Board of Management.	Action should be taken for the recovery of loans.
b) The value of Rs.3,886,701 overpaid by the Bureau during 2018-2021 on	The relevant divisions have been informed in that connection. In	Should be recovered from the relevant

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| mobile phone bills of the executive officers, had not been recovered even by the end of the year under review.  | case that such payments had been approved, those expense will be written off otherwise action will be taken to recover from the relevant officers.  | officers.  |
| c) A sum of Rs.1,661,910 expended in the year 2022 for installation of an Enterprise Resource Planning system, had been shown under work in progress at the end of the year under review. Following the decision taken on 20 February 2023 not to proceed with the installation, the said expenditure had become fruitless. Nevertheless, the Bureau had purchased 60 computers valued at Rs. 20,394,000 on 21 February 2023 with a view to implementing the proposed Enterprise Resource Planning system( ERP). However, 12 of those computers valued at Rs. 4,078,800 had remained idle at the store as at the date of audit on 15 March 2024.  | Necessary action had been taken in the year 2022 for the installation of an ERP system at the Bureau. The procurement process, suspended in the year 2023, has been resumed under the same consultant and completed the EOI stage. All the computers purchased for the system, have been distributed among the divisional offices. Those computers will be used when the system is implemented in the future, and until then, granting permits is done by using the computers in order to expedite the services for the public.   | The assets should be utilized properly.  |
| d) Validity period of the Licence No. EL/406 granted to Lanka Mineral Sands Ltd Company for exploring minerals, had expired on 30 December 2022. As per Section 14(e) of the Gazette Extraordinary No. 2013/37 dated 04 January 2023, an opportunity had been given either to apply for a mining licence since the date of completing the exploration by the licensees or within a period of 02 years from the date of expiry of the licence, or retain the potential area with them by paying the relevant fees. A period of 02 weeks had been given to the said Company to execute the process for further verification of the relevant area of exploration. Nevertheless, a land area of 07 Grids included in the exploration licence, had been given to another private company for explorations by issuing | The Bureau had issued exploration licences to Lanka Mineral Sands Ltd over a period of 10 years with extensions given periodically to be ended as at 30 December 2022. No progress or report had been made available with respect to the exploration of allocated area. As such, validity period of the exploration licences had expired on 30 December 2022, but it was informed requesting the rights to lands and other requirements within a period of 06 months from the date of expiry of the licences in terms of decisions taken by the Ministry of Industries and Ministry of Environment. Lanka Mineral Sands Ltd has not thus far completed the reports as per the | Extensions should be given to the validity period of the exploration licences. |

the Licence No. EL/434 with respect to the period from 09 October 2023 to 08 October 2025.

said agreement, and cheques have been sent by registered post from time to time for the allocation of exploration area. In response, the Bureau informed through letters that the reports containing the fees payable and other required information be made available.

Recovery of charges on the incomplete fees and registers can not be done by the Bureau as per the Mines and Minerals Act and the regulations. Failure in conducting any exploration or mining after obtaining the licence remained questionable to the Bureau. Hence, the necessary actions had been taken as per decisions taken by the Ministry of Industries and the Ministry of Environment. The Exploration Licence No. EX/434 given to the Lanka Mineral Sands Ltd with respect to a certain area of exploration, had been provided for a private institution. When exploration was done by that institution, it was found that the relevant area belonged to wildlife zone. As such, that exploration licence remains unusable at present. Had exploration activities been done in that area after being acquired by the Lanka Mineral Sands Ltd, the same situation would have occurred for that institution as well; and hence, it is said that licences can not be issued for that area.

- e) Using the Licence No. IML/A/HO/N/15134/LR/2 issued by the Bureau for the Ihala Elahara canal project to mine the Tunnel No. 04, a distance of 5.77 Km had been mined Considering as a project of national importance, the mining licence had been issued by the Bureau in accordance with Guidelines given through the Necessary regulations should be done.

in the Tunnel No. 03. However, the Bureau had not regulated that process.

environmental impact assessment report covering all the areas. However, according to the legal provisions under the said Act and other regulations, no restrictions could be imposed on the machinery being used for conducting mining activities safely under the mega scale projects of IML/A category.

f) The *Bulankulama vs Secretary to the Ministry of Industries and others*, Case No. SE/(FR)884-99, had decided on 02 June 2000 that entering into any agreement on Phosphate would be illegal until a survey was conducted by the Bureau with respect to Phosphate mineral in Sri Lanka. In addition to that, it was also informed that a comprehensive research be carried out by the Bureau with respect to the availability of Apatite and other Phosphate minerals in Sri Lanka under the consultation of National Science Council and National Science Foundation. As such, the report of the research conducted by the Bureau on the Phosphate mine in Eppawala after a period of 22 years, had been published through the official website of the Bureau and newspapers on 21 June 2023 before obtaining recommendations of the National Science Foundation and National Science Academy. It was informed through the report of observation presented by the National Science Foundation on 25 August 2023 that the Bureau had failed to properly execute the task as ordered by the court; and, approval of the National Science Foundation had not been given for the report of observation. Once the consent of the National Science Foundation was given in accordance with verdict of

Subject to be approved by the National Science Foundation and National Science Academy, the report on the Phosphate mine in Eppawala prepared by the Geological Survey and Mines Bureau, had been published in accordance with instructions of the Attorney General. The relevant institutions had not mentioned anything about the “New recommendations” given therein at the time of publishing the report.

The matters such as, survey conducted by the Bureau, the project thereof, and the practical scenario based on which the survey had been conducted, were clearly mentioned in the report.. Requests had been made that the Bureau be informed about the methodology according to which the survey be conducted as per the verdict of the court had the relevant authorities verified as being a correct conclusion.

The report had been published under approval of the National Science Foundation. It is clear that there was a link between the issue of export licenses and the publication of the report, and that the issue of licenses for mineral exports is considered

Export licences should be granted in accordance with legal provisions.

the case, the Bureau should have published the survey report, and export licences should have been granted. Nevertheless, export licences had been given by the Bureau to Phosphate exporters selected by the Lanka Phosphate Company. Two private exporters had exported 7500 and 2350 metric tons of Phosphate.

separately. The Ministry of Industries had been informed that an open tender procedure be followed when selecting exporters by the Bureau. It was decided that selecting exporters was the responsibility of the Ministry of Industries.

g) And enforcement unit had been established with a view to raiding the illegal mining, processing and trading of minerals. However, 03 of the 06 posts of enforcement officer, remained vacant by the end of the year under review. Due to this reason, inspection of mining lands had decreased from 184 in the year 2021 to 57 by the year 2023, whilst investigation of complaints had also reduced from 835 in the year 2021 to 204 by the year 2023.

Action is being taken to recruit to the posts of enforcement officer.

The enforcement unit should be made active.

h) The computer software being used by the mining division and the accounting division is older than 20 years, and an annual maintenance fee of Rs. 1,050,000 is paid to a private company. However, the software has not been updated in line with operations and financial requirements of the Bureau at present including, issue of licences for mining, computation of royalty and issue of invoices, recovery of fees, obtaining bank guarantees, rehabilitation of mining lands, cancellation of mining licences, refunding the fees, and facilities for the accounting division.

As updating the existing software is costly, the Bureau is taking action to install a new software. The sum of Rs. 1,050,000 paid for this software, was related to the annual maintenance expenditure for carrying out day to day activities between the Head Office and 21 regional offices of the Bureau.

The software should be updated.

i) The mining lands should be rehabilitated in terms of Section 52 (2) of the Mines and Minerals Act No. 33 of 1992. However, when issuing mining licences for granite, the

A legal agreement comprising a bank bond for rehabilitating the mining lands and a formal rehabilitation plan, is entered into between the licensee and

The mining lands should be rehabilitated in accordance with provisions of the Act.

statement that “ as the ground level of the mining land is located higher than the rest of the area, it is not required to fill the area after mining ; and once the land is rehabilitated by using the soil removed when mining, the land would be suitable for cultivation and other activities”, had been included by the Bureau in the viability reports obtained from the miners. Hence, bank guarantees had not been obtained for rehabilitation purpose of the mining lands. Furthermore, it was mentioned under the conditions of the mining licence that no mining for granite should be done below the surface level. Nevertheless, mining for granite had been done below the surface level at many locations and the mining lands had been abandoned with water filled dangerously in such locations. No action had been taken by the Bureau to rehabilitate those pits , nor legal action had been taken for violating the conditions of the licenses.

the Bureau. Legal action had been taken on the failure to adhere to conditions in the licence, had the mining land not been rehabilitated as per that agreement.

#### **4. Accountability and Good Governance**

##### **4.1 Annual Action Plan**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
<p>a) The following matters were observed on the performance and duties included in the Action Plan of the year under review with respect to undertaking the systematic geological mapping of Sri Lanka, a function of the Bureau in terms of Section 12 of the Mines and Minerals Act No. 33 of 1992.</p>	<p>(i) Despite being planned to complete the compilation and printing of the geological map of Sri Lanka by April 2022, the printing process had not been</p>	<p>At present, printing the map of Vilpattu, has been completed.</p> <p>Should be completed within the timeframe as specified in the Action Plan.</p>



completed even by the end of the year under review.

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| (ii) It had been planned that printing of Map No. 29, Kalpitiya under quaternary mapping in the scale of 1:50,000 be completed by April 2022, whilst the printing of Vilpattu map be completed by May 2023, those activities had not been completed even by the end of the year under review. | - Do. | - Do. |
| (iii) Printing of soil geochemical map No. 06 for Vauniya-Trincomalee planned to be prepared by March of the year under review, had not been printed even by the end of the year under review.  | - Do. | - Do. |
| (iv) Compilation and printing of Map No. 08, North Central Province, had been planned to be completed by October of the year under review. However, only the compilation had been done.   | - Do. | - Do. |

- b) The mineral handbooks for the years 2021 and 2022, had not been published even by the date of audit on 30 April 2024. In-house data as well as data from those involved in businesses relating to minerals and other Government institutions, had been collected in preparing the annual mineral handbook. Such information included data relating to the amount of production of miscellaneous minerals, and export and import quantities. However, due to reasons such as, failure of the companies in providing the said data on time, and institutions such as Sri Lanka Customs charging fees for providing the necessary data, the handbook could not be published on time. Activities mentioned in the Action Plan should be executed.
- c) Action had not been taken even up to the date of audit on 16 July 2024 to prepare a national policy on mineral resources and obtain approval as had been requested by the Cabinet on 22 May 2017. The national policy on mineral resources has been prepared and forwarded to the Ministry of Environment for approval. Action should be taken in accordance with the decision of Cabinet.