

## **Geological Survey and Mines Bureau and its Subsidiary - 2024**

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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 2024 comprising the statement of financial position as at 31 December 2024 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 the material accounting policies, was carried out under my direction in pursuance of provisions of the National Audit Act, No. 19 of 2018 and the Financial Act, No.38 of 1971 read in conjunction with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. 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 1.5.1 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 2024 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 1.5.1 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 Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern of 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 Group’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Group 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 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 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 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 commission'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 to cease 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 Group and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Group has complied with applicable written law, or other general or special directions issued by the governing body of the Group;

- Whether the Group has performed according to its powers, functions and duties;
- Whether the resources of the 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 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
<p>(a) The Rs. 4,557.55 million calculated by the Bureau to be remitted to the Treasury from the royalty income collected in the years 2023 and 2024 had been indicated under reserves, and the royalty amounting to Rs. 1,468.05 million remitted to the Treasury related to the year 2024 had been deducted from the retained earnings in the Statement of Changes in Equity.</p> <p>Although a sum of Rs. 3,468.05 million had been remitted to the General Treasury as at 31 December 2024, the royalty payable amounting to Rs. 1,089.5 million had not been indicated as a current liability.</p> <p>As per the letter No. PED/1/GSMB/3/11(i) dated 10 August 2023 of the Director General of Public Enterprises, the Bureau should remit 70 percent and 75 percent of the royalty collected for the years 2023 and 2024 respectively to the Treasury. Even if the Bureau had collected a royalty of Rs. 333.64 million related to the previous years during the year 2024, the Royalty for the year 2023 had not been identified from that value and 70 percent of the said amount had not been remitted to the Treasury as said by the above letter and the total value had been accounted as an income of the Bureau.</p>	<p>This will be corrected in the future. As pointed out by the audit, the royalty value of Rs. 333.64 million collected in respect of previous years during the year under review also includes the values obtained for the previous years such as 2023 and 2022. Since there is no methodology to accurately identify the year to which the royalty values relate using the existing accounting software system, a private institution has been asked to prepare a methodology to identify the year to which the royalty values relate through the accounting system. Accordingly, it is expected to remit the royalty amounts to the Treasury according to a proper methodology from the year 2025.</p>	<p>The royalty that should have been remitted to the Treasury but has been taken to the revenue of the Bureau should be remitted to the Treasury, and the correct royalty to be remitted to the Treasury should be shown in the financial statements.</p>

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|-----|---|---|---|
| (b) | As a sum of Rs. 22.48 million from the income accounted for the year 2024 as the income from sand, soil and gravel transportation permit fees by the Divisional Offices located throughout the island is for the year 2023, the profit of the year 2024 had been overstated by that amount.   | The matters pointed out by the audit are accepted and the steps will be taken to make rectifications.   | The actions should be taken to accurately account transport license income.                               |
| (c) | Although the Audit had been notified by the letter dated 07 May 2025 from the Assistant Director (Legal) that the royalty receivable for 157 permits as at 31 December 2024 was Rs. 24.13 million, the said royalty receivable had not been shown in the financial statements.  | The matters pointed out by the audit are accepted and the steps will be taken to make disclosures in the future accounts.   | The royalty receivable should be accounted correctly.   |
| (d) | The receipts of Rs. 19.10 million, which had been directly credited to the Bureau's bank account by customers from January 2022 to the end of the year 2024 had been shown in the financial statements as a balance payable instead of being identified and accounted.  | The letters have been sent to the Mining and Geology Divisions of the Bureau to identify the relevant customers and take the necessary actions regarding these direct deposits. | The direct deposits should be accurately identified and accounted.  |
| (e) | Although a sum of Rs. 5.52 million payable to GSMB Technical Services (Pvt) Ltd; which is a subsidiary of the Bureau, related to the period 2016 to 2020 should have been shown in the financial statements as an intercompany transaction, the said value had been shown under accrued expenses  | This will be rectified in the future.   | Money to be paid to the subsidiary should be properly accounted as intercompany transactions.             |
| (f) | Although the contribution of the institution to the Welfare Fund should be given as Rs. 25 per member on monthly basis in accordance with the Section 3.6 of the Procedural Rules of the Bureau, a sum of Rs. 2.96 million paid in the year 2024 for a period of 6 years from 2018 to 2023 had been accounted as welfare expenses in the year 2024 without allocating money on yearly basis for that purpose. Similarly, an allocation had not been made for the institution's contribution of Rs. 1.58 million to the Welfare Fund in the year 2024. | This will be rectified in future.   | The allocations for the contributions payable to the Welfare Fund should be made and accounted correctly. |

### 1.5.1.2 Discrepancies

Audit Observation	Comment of the Management	Recommendation
(a) Although the amount deposited in a fixed deposit account and a current account subsequent to the encashment of the bank guarantees obtained from the licensees for land rehabilitation had been Rs. 514.44 million, the balance in the Land Rehabilitation Fund account representing the said value was Rs. 423.27 million. Consequently, there was a difference of Rs. 91.17 million between that amounts.	The Bureau deposits the cheques related to the bank guarantee in the Rehabilitation Fund Account at the Galle Road Branch of the People’s Bank. The balance is transferred to the Fixed Deposit Account from time to time.  As pointed out by the audit, the relevant difference is the interest earned by reinvesting the interest income received from the fixed deposits. It will be transferred to another account in the future.	The required measures should be taken to proceed ensuring no discrepancy between the balance of the deposit accounts and the fund account.
(b) In accordance with Section 5.2 of the Bureau's Internal Circular No. 236/04/2023 dated 01 May 2023, the value of the rehabilitation bond can be recovered in cash at once as a bank guarantee or a deposit repayable by the Bureau at the request made by the applicant, and the money so received is transferred to a fixed deposit account after being deposited in a current account. Accordingly, although the bonds received from the amount of Rs. 184.88 million during the year 2024 had been shown in the bond account, the total of the current and fixed deposit accounts related to the banking of that money had amounted to Rs. 174.75 million. Consequently, there was a difference of Rs. 10.13 million between those amounts.	As pointed out by the audit, the activities of obtaining rehabilitation bonds are carried out by the head office of the Bureau and by the regional offices. The bonds obtained so are deposited in another account of the Bureau. When the money is deposited by the regional offices, the deposits are done in the main account of the Bureau.	The steps should be taken to deposit all bonds received in cash.

### 1.5.1.2.1 Evidences not made available for the Audit

Item	Amount Rs. Million	Audit Evidence not Made Available	Comment of the Management	Recommendation
(a) Advances obtained for transportation, exploration and issuance of mining licenses	188.49	A detailed Schedule and an Age Analysis	The schedule is prepared with age analysis from the year 2023 for the advance amounts received for the issuance of transportation, exploration and mining licenses, and the steps will be taken to prepare these schedules in the coming accounting year.	The necessary evidence to verify the balance of the advance received for the issuance of the license should be submitted to the audit.
(b) Foreign Remittances	2.26	Evidence for the receipt	This is a matter existing as opening balances since a long period.	The actions should be taken to submit the necessary evidences to the audits to verify receipt of foreign remittances.

**1.5.2** As per the report of the Auditor General on the financial statements and other legal and regulatory requirements of GSMB Technical Services (Private) Limited which is a subsidiary of the Geological Survey and Mines Bureau for the year ended 31 December 2024 in accordance with Section 12 of the National Audit Act, No. 19 of 2018, the audit opinion was not qualified.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

Audit Observation	Comment of the Management	Recommendation
(a) The total value of the balances outstanding for more than 5 years in the trade debtor balance was to Rs. 3.64 million and these balances had not been recovered as at 30 May 2025. Further, the steps had not been taken even as at the end of 2024 to recover the distress loan installments and interest of	The necessary steps have already been taken regarding these debtors. The relevant steps will be taken to recover the outstanding balances or remove them from the accounts in the future.	The proceedings should be made immediately to recover the loan balances.

Rs.1.23 million from 06 employees due to the death, resignations and vacating the service during the period 2016-2023.

- (b) The mobile phone bills of executive officers amounting to Rs. 3.88 million paid by the Bureau during the period 2018-2021 had not been recovered even as at the end of 2024. This matter has been presented to the Audit Management Committee and the actions will be taken accordingly. The steps should be taken to recover the cost of these telephone bills from the relevant officials.
- (c) Although 13 cheques worth Rs. 1.28 million received by the Bureau in terms of license fees between 2017 and 2022 had been dishonoured, the steps had not been taken by the Bureau to recover those. It is informed that an amount of Rs.280,270.37 related to 04 cheques for the year 2022 has been recovered, and one of the persons who was to pay an amount of Rs.101,578.07 has died. An amount of Rs.170,411.15 related to the cheque for the year 2023 has been recovered. An amount of Rs.600,069.55, Rs.783,336.26 and Rs.43,567.49 related to the cheques for the year 2024 has been recovered. Accordingly, the relevant divisions have been informed to recover the money for the remaining dishonored cheques. The required steps should be taken to immediately recover the losses incurred by the institution due to the dishonored cheques from the licensees.
- (d) Although a receivable Royalty of Rs. 10.54 million for 51 licenses had been accounted as a current asset by the end of 2024, the Bureau had not taken any legal or other action to recover this value. The measures in this regard will be taken in future. The required steps should be taken to recover these license fees receivable.
- (e) A sum of Rs. 1.15 million paid in excess for fuel, buildings and goods and services tax since a period over 20 years had been continuously shown in the financial statements under payments made in advance and no steps had been taken to settle those balances. The measures in this regard will be taken in future. This balance should be settled immediately.

## 1.6.2 Payables

Audit Observation	Comment of the Management	Recommendation
<p>(a) The necessary steps had not been taken even by the end of 2024 to settle the advances of Rs. 2.92 million paid to the officers of the Bureau and external institutions during the period 2014-2019 and Rs. 766,983 which had been shown as advances payable since a period of more than 05 years. Also, despite the fact that all the work paid for by the parties who obtained services as per the documents of the laboratory had been completed, a total advance balance of Rs. 6.31 million had been shown in the financial statements by the end of 2024.</p>	<p>As pointed out by the audit, the remaining advances excluding the amount of Rs. 1,500,000 included in the sum of Rs. 2,920,105 paid to the officers of the Bureau and to the external institutions for local purchases will be settled in the future, and the legal actions are currently being taken in terms of the Rs. 1,500,000. Also, the investigation activities regarding the sum of Rs. 1,500,000 are also being carried out by the Commission to investigate the allegations of Bribery or Corruption. The advance balance of Rs. 6.31 million will be corrected in the future.</p>	<p>The steps should be taken to settle the advance balances and to indicate the correct values in the financial statements.</p>
<p>(b) Although the Nation Building Tax (NBT) liability amounting to Rs. 3.31 million had been continuously shown in the financial statements under the creditors for over 3 years, the actions had not been taken to settle this amount until the end of 2024 in a context where the tax policy is not currently in effect.</p>	<p>The steps in this regard will be taken in future.</p>	<p>The actions should be taken to settle this balance immediately.</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>			

- (i) Section 12 (e) Although the instructions should be given to the Minister on the steps to be followed to promote, refine, add value to and export the said mineral-based products on a commercial basis subsequent to developing those, the particulars about proceeding so were not presented to the audit. The report that includes the criteria for value addition for minerals has been presented to the Minister. The instructions should be given to the Minister on the steps to be taken to add value to mineral resources and utilize those for the export of products based on the said materials on a commercial basis.
- (ii) Section 52(2) Although a licensee should rehabilitate the lands up to the satisfaction of the Bureau once the activities authorized by his license are completed or on the date of expiry of his license, whichever occurs earlier, the funds related to the rehabilitation bonds of Rs. 462.26 million obtained from 2713 licensees had been retained in the Bureau as at 11 August 2025. Out of that, the Bureau had failed to carry out land rehabilitation activities in 1742 licenses with a value of Rs. 316.64 million. The Bureau had also failed to carry out the rehabilitation activities in 268 licenses with a value of Rs. 62.56 million regarding which the Bureau had failed to collect funds. It has not been reported that the rehabilitation activities in 1742 mining lands worth Rs. 316.40 million out of 2713 mining lands having a rehabilitation bond balance of Rs. 462.26 million as at 11.08.2025 have been completed. No confirmation has been made to the effect that the rehabilitation activities have been carried out in relation to 268 lands for which the rehabilitation bond value has not been received by the Bureau from the bank. A program should be introduced by the Bureau to specifically identify the lands rehabilitated and no rehabilitated. An amount sufficient for the rehabilitation should be obtained as bond money to encourage the land rehabilitation and recover the bond money, and a mechanism should be introduced to take legal actions if the licensee does not rehabilitate the land. The investigations should be carried out regarding the bonds which could not be recovered and the loss incurred by the government should be recovered from the responsible officers.

(b) Guidelines for Governance of Public Enterprises included in the Public Enterprises Circular No.01/2021 dated 16 November 2021

(i) Paragraph 2.2.5	Even though the daily review of the functionality of the subsidiary company, making aware on risk and other issues affected to bureau and close observation of the intercompany transactions should be carried out by Management Board of the Bureau, no action had been taken accordingly.	It is agreed with the matters pointed by the audit and the steps will be taken to monitor the activities of the subsidiary company at the next management meeting.	A program should be introduced to daily review the activities of subsidiary company, identify the risk issues and closely observation of the inter-company transactions.
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(ii) Paragraph 2.3	Even though the Strategic Plan should be prepared as per the National Policy Framework of the Government, the Bureau did not have an approved Strategic Plan after 2019-2023.	Though the Strategic Plan had been prepared for the period 2024-28, it had not been approved so far by the Board of Directors.	As per the circular provisions, a strategic plan should be prepared and approved.
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(c) Public Enterprises Circular No. PED 1/2015 dated 25 May 2015 and section 3.1 of Public Enterprises Circular No.PED 1/2015(II) dated 14 January 2022	Even though it had been mentioned that the monthly fuel limit entitled for the officers equal or above to the service category (HM) 1-1 in senior management level is 115 litres, an allowance of 135 fuel litres had been monthly paid from 2018 to August 2024 for Director (Finance) entitled the salary category (HM) 1-2 in senior management level.	The providing of this fuel allowance had been commenced in June 2018. The action had been taken as per the instructions of the officer who had acted as former Director (Finance).However, it had been pointed out that this should be amended at the inquiry conducted in the Ministry of Environment in August 2024 and accordingly, the action had been taken to pay 115 fuel	The fuel allowance should be paid as per the circular provisions and the measures should be taken to recover the amount overpaid so far.
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liters in September 2024.

- (d) Instructions for the employers No. SEC/2023/E/01 dated 29 March 2023 by Inland Revenue Department
- Even though Advance Personal Income Tax should be deducted by every employer with effect from 01 January 2023 as specified by the tax tables by Inland Revenue Commissioner General on the receipts from the employment and any payment which can be included as profits under section 5 of the Inland Revenue Act from every employee who is liable to pay Income Tax, no action had been taken to deduct Advance Personal Income Tax on the fuel allowance of Rs.7.72 million paid to the officers of Bureau from January 2023 to August 2024.
- It had been rectified so far.
- As per the circular provisions, the Advance Personal income Tax for fuel allowance should be deducted and the step should be taken to deduct the Income Tax deducted in less from the relevant officers.
- (e) Internal Circular of Bureau No. 231/02/2023 dated 20 February 2023
- Though newly issuance of special licenses or extension of period of time of the licenses issued already should be carried out only maximum 02 occasions, the special licenses had been issued by exceeding the maximum opportunity at 13 incidents at sample audit checks.
- The extension of period of time had been limited to 02 incidents with an objective of preventing of the misuses occurred in providing the special licenses. However, the Bureau has to further extend relevant special licenses with an objective of regulating the minerals if there is a requirement for extension of period of time on the nature of activity related to some special licenses issued as per the opinion of Bureau. But, these measures are contrary to the above-mentioned circular. Since Director General can take a
- It should not be acted by exceeding the maximum number of opportunities in renewal of the special licenses and the disciplinary action should be taken against the responsible persons in relation to whether a misuse had occurred in the incidents where it had been taken action beyond the limits.

decision in this regard, it had been carried out only subject to the approval of Director General as the case may be considering such requirement at that occasion.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review was a profit of Rs. 701.54 million and correspondingly, the profit in the preceding year was Rs. 1,159.67 million. Accordingly, a deterioration of Rs. 458.13 million in the financial result was observed. The reason for this deterioration is the decrease of the income of the year by Rs. 319.66 million.

## 3. Operational Review

### 3.1 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>The licenses should be provided by giving an equal opportunity for the parties who are interest in it in issuing the licenses by Bureau as per the judgement of Supreme Court No. SCAppeal 137/2017 published on 08 October 2024. However, the Bureau had decided to review again the prevailing methodology in compliance with the judgement and suspended the issuance of exploration licenses on that date until such methodology will be prepared again. But said methodology had not been prepared even up to 30 May 2025 and the Bureau had to retain licenses fees of Rs. 75.32 million received from 50 applicants by 30 May 2025 in the advance account due to suspension of issuance of exploration licenses which can be identified as key income generation source.</p>	<p>A committee had been appointed for this and the draft had been completed presently. The action will be taken subsequent to receipt of above committee report.</p>	<p>A methodology should be immediately prepared enabling to provide an equal opportunity for the parties who are interest in it in issuing the licenses and the issuance of licenses should be commenced.</p>

### 3.2 Management Inefficiencies

	Comments of the Management	Recommendation
<p>(a) The industrial mining license No. IML/C/HO/N/17006 had been issued under the mining condition for monthly production volume not more than 500 cubes and total number of cubes</p>		

to be mined not more than 9400 cubes to a private company for removal of sand in Mukkuthoduwawa estate located in Puttalam District belonging to Chilaw Plantation Company. This license had been renewed at 03 incidents from 14 December 2023 to 13 September 2024. The following matters are observed in this regard.

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| (i)   | In accordance with the estimate report of mined sand volume issued on 19 December 2024 by G.S.M.B. Technical Services (pvt) Company, a sum of Rs. 686,464 had been paid to Bureau as royalty only for 1594 sand cubes by removal of sand cubes in a range of 36,531 cubes to 45,561 cubes by the contractor. The royalty of Rs.12.73 million had not been paid for 34,937 cubes taking into consideration only the lower range of the report. | As per condition No.06 of that license, it had been mentioned that the monthly production volume is not more than 500 cubes and the total cubes to be mined is not more than 9400 cubes.    | The step should be taken to recover the royalty lost and the disciplinary action should be taken against the officers in charge of monitoring who had not performed their responsibility. |
| (ii)  | A sand stock of 33,611 cubes had been transported without license taking into account the lower range of the report while the license had been obtained from Bureau for only transportation of 2920 sand cubes.   | 103 transport licenses had been issued in relation to 2920 cubes pertaining to this license within Bureau for the time period from 18.12.2023 to 12.08.2024.                                | The steps should be taken to recover the license fees lost.   |
| (iii) | Even though it had been mentioned that the land mined should be rehabilitated to the satisfactory of the Bureau at the expiry of the time period as per new condition enforced related to the renewal of license up to 13 September 2024, no action had been taken to inspect whether these rehabilitation activities had been carried out as necessary by Puttalam Divisional Secretariat even up to 31 May 2025.                            | After carrying out the field test in this regard, it is due to be given the relevant report.  | Having immediately conducted an investigation whether the rehabilitation activities had been properly performed, the necessary measures should be taken as per the provisions of Act.     |
| (b)   | Even though a sum of Rs. 1.63 million had been incurred for the establishment of Enterprise Resources Plan (ERP), the Bureau had decided not to implement that task on 20 February 2023. However, though it is essential to establish an ERP system suitably to present operations and financial requirements of Bureau, no step had been taken so far for that matter. The software system of Bureau which is                                | The purchasing activities of relevant computer stock had been carried out in line with that on the provision allocated by the budget with the secondary objective of utilizing 60 computers | The activities for establishment of Enterprise Resource Plan system should be promptly implemented and when the provisions allocated from the capital budget is used,                     |

old more than 20 years is being used by incurring a maintenance expense of Rs. 1.04 million annually. 60 computers purchased at a cost of Rs. 20.39 million with an objective of establishing the ERP system had been provided to the Divisional Secretariats presently.

which were due to be purchased on the provision allocated in the annual budget in this project also.

its necessity should be formally identified.

The necessary activities for the establishment of ERP system are being performed presently and the activity had delayed due to the technical barriers for the selection of suitable software development institute.

However, 60 computers purchased as per the annual requirement had been issued so far for the daily requirements of such Divisional Offices. By avoiding the technical barriers prevailed in the computers in issuance of the licenses through that, it was able to systemize to some extent.

The second phase for the establishment of ERP system is being implemented now again and since the issuance of licenses had been systemized by utilizing the computers purchased for the daily requirement, the expenses incurred for this had not become idle.

(c) Even though the bonds with a value of Rs. 80.87 million in relation to 362 mining licenses for the period from 2012 to 11 August 2025 had been presented to the relevant bank for encashment, such money had not been received to the Bureau and presently, these bonds had expired. In addition, 75 bonds with a value of Rs. 15.75 million had not

The letters had been sent to the bank to obtain the bank guarantees in relation to 362 licenses and the reminders had been also sent. However, the bank

The action should be taken to recover the loss occurred from this from the responsible parties.

been presented to the banks in 2020 for the encashment before expiry. Accordingly, bond money of Rs. 96.62 million couldn't be obtained due to not carrying out a follow-up.

had not credited the money to Bureau.

An investigation is being carried out by Internal Audit Division of Bureau for 75 bank guarantees on which the letters had been sent with delay for obtaining to the bank before expiry amidst Covid pandemic situation.

### 3.3 Uneconomic Transactions

#### Audit Observation

The fuel tank established in the premises of Head Office with a cost of Rs.4.4 million in 2022 had been idle even at the end of the year under review.

#### Comments of the Management

Though this had been established as a remedy to the emergency fuel shortage occurred, it couldn't be utilized as expectedly due to the policy of issuing the fuel stock only for Dollar accounts suspending the fuel issuance by Ceylon Petroleum Corporation through rupee accounts at the time of the establishment of tank and pump with regular fuel supply. As per the instructions provided by the Board of Directors, the efforts are being taken to sell this through a paper advertisement for the third time.

#### Recommendation

The officers who had decided to carry out non-essential expenses should be held responsible for this idle expense and the step should be taken to sell the tank.

### 3.4 Human Resource Management

#### Audit Management

- (a) The preliminary inquiry had been conducted on 10 September 2024 in relation to Director (Human Resource) who had been sent on compulsory leave by 21 December 2023. If it appears that there are adequate reasons enough for making allegations against the officer available by preliminary inquiry prima facie, a charge sheet should be formally issued to the officer by relevant disciplinary authority. The action had

#### Comments of the Management

As per preliminary inquiry report, It had been mentioned in its recommendations since the qualifications in the Scheme of Recruitment in relation to the post of Director (Human Resources) had not been fulfilled and the matters in the statements provided at several incidents by the officers of Bureau are similar, it is appropriate to take a decision with

#### Recommendation

The inquiry activities should be immediately completed.

not been taken in that manner and a formal disciplinary inquiry had not been also conducted. Therefore, the salaries have been paid without obtaining a service for a period of time more than 1 ½ years and the sum paid so up to May 2025 was Rs.1.89 million.

regard to further engagement him in relevant post.

- Though the answers had not been provided for explanation, his post is not further valid. A requirement had arisen for taking disciplinary action

Subsequent to submission to Management Board for taking action as per such recommendation, it had been informed by them to take a decision by a committee consisting with three officers from the Bureau, Ministry of Environment and Ministry of Public Administration, Home Affairs, provincial Council and Local Government for reexamining the qualifications and experience. Accordingly, the actions are being taken by the relevant committee.

(b) As per the decision of 344<sup>th</sup> Management Board Meeting dated 17 May 2024, it had been granted the approval to recruit a Human Resource Consultant to Bureau from 15 July 2024 on contract basis and apply the basic salary of Human Resource Director as his salary. Accordingly, it had been paid by Rs.175, 000 from 15 July 2024 to 15 April 2025 while the basic salary to be paid to Human Resource Director is Rs. 81, 670 and a sum of Rs. 839, 933 had been paid in excess as salaries. Similarly, though the role related to the preparation of the Human Resource Plan of Bureau and carrying out a human resource audit had been entrusted to this consultant, it couldn't be verified whether such functions had been performed.

Subsequent to submission to the Management Board of Bureau, Human Resource Consultant had been recruited on the approval of Management Board.

The plan required for providing the active contribution in the Human Resource Division had been prepared and submitted to the Chairman and Director General and the action had been taken to send it to the Department of Management Services subsequent to submission it to the Management Board.

The step should be taken to recover the salaries overpaid and it should be verified whether the functions of consultant are carried out.

(c) Though an Empowerment Unit had been established with an objective of raiding explorations, processing and sales carried out illegally, there was an

A letter had been referred to the recruitment review committee of Prime Minister's Office through the Ministry of Environment for

The action should be taken to fill the employee vacancies and

obstacle for performing illegal raids due to continuously vacant of 03 posts out of 06 posts of approved empowerment officers even up to the end of year under review.

filling the vacant posts. A letter had been sent to us by informing that relevant letter had been submitted to Prime Minister's Office with the approval of the Ministry of Environment. carry out the illegal raids.