

Gem and Jewellery Research and Training Institute - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Gem and Jewellery Research and Training Institute (“Institute”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policy information 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 and Finance Act No.38 of 1971. 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 Institute 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 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 Institute’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 Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Institute 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 Institute.

1.4 Audit Scope

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:

- 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 Institute'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 Institute'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 Institute 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 Institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) The balance of the Employee Loan Revolving Fund amounting to Rs.2,458,479, other contributions amounting to Rs.850,310, and the Deferred Income balance amounting to Rs.60,754,680, which should have been shown as non-current liabilities, had been shown as net assets/equity in the statement of financial position, contrary to paragraph 95 of Sri Lanka Public Sector Accounting Standard No. 01.	In the Statement of Financial Position for the year 2025, the employee loan revolving fund and deferred revenue will be presented as non-current liabilities.	Items that should be reported as non-current liabilities in accordance with accounting standards should be accurately reported under that heading.
(b) Although when correcting prior period errors, the comparative figures for the period in which the error occurred should be restated as per the paragraph 47 of Sri Lanka Public Sector Accounting Standard No. 03, the Institute had not restated the comparative figures when correcting 13 prior period errors totaling Rs.6,157,875.	Action will be taken to restate incorrect comparative figures for prior periods from 2025.	In accordance with accounting standards, when correcting prior period errors, comparative amounts should be restated for the period in which the error occurred.

(c) Although income and related expenses should be recognized taking into account the stage of completion as per the paragraph 20 of Sri Lanka Public Sector Accounting Standard (SLPSAS) No. 10, the Institute had not followed this requirement when recognizing income from training courses. As a result, the income for the year under review had been understated by Rs.5,154,360. Further, as per paragraph 39(a) of the same standard, the accounting policy relating to revenue recognition had not been disclosed. Although a sum of Rs.7,232,524 had been received in respect of training courses pertaining to the year 2025, it had not been recognized as income received in advance. Consequently, the surplus had been overstated and current liabilities had been understated by the same amount. In addition, course income receivable relating to the year 2024 amounting to Rs.7,281,724 had been recognized as Rs.5,046,250, understating income by Rs.2,235,474. Accordingly, current assets and the surplus had also been understated by the same amount.

(d) During the year under review, a capital grant amounting to Rs.15,657,141 received from the Ministry of Industry and Entrepreneurship Development had not been recognized as income derived from non-exchange transactions in accordance with Sri Lanka Public Sector Accounting Standard (SLPSAS) No. 11 and In accordance with paragraph 20 of Sri Lanka Public Sector Accounting Standard (SLPSAS) No. 10, when preparing the final accounts for the year 2025, course income will be recognized based on the stage of completion of the training programmes and the income pertaining to the relevant financial year will be accounted as income received in advance, and course income receivable.

Course revenue, advanced course revenue, and accrued course revenue should be accurately calculated and accounted for in accordance with accounting standards. The revenue recognition policy should be disclosed in the financial statements.

During the year under review, a sum of Rs.15,657,141 had been received from the line Ministry for the purchase of property, plant, and equipment. However, since this amount did not represent income generated from the Institute's Capital grants should be recognized as income from non-exchange transactions in accordance with accounting standards.

it had been shown as deferred income under equity at its carrying amount net of amortization.

operational activities, the transaction had been recorded through a control account and accounted for as an increase in property, plant, and equipment.

1.5.2 Accounting Policies

Audit Observation	Management Comment	Recommendation
(a) The expenditure of a project implemented jointly with the National Gem and Jewellery Authority was reimbursed by the Authority and out of the expenditure of Rs.4,937,034 incurred during the year, Rs.2,543,628 had been reimbursed by the Authority during the year under review. The accounting policy related to this had not been disclosed and the expenses and grants received related to the project had been accounted for through a control account and the balance receivable at the end of the year was Rs.2,015,285.	All courses at the three centers where this project is being implemented are conducted free of charge. Financial facilities for this are provided by the National Gem and Jewellery Authority. If the amount received by the Institute is accounted for as the income of the Institute, the income of the Institute will show an artificially high value. Therefore, the transactions of this project have also been accounted for through a control account.	The accounting policy for income and expenses received for projects from other entities should be disclosed.
(b) Although an amortized value proportionate to the depreciation of the related fixed assets should be recognized in the Statement of Financial Performance according to the institution's accounting policy on capital grants, this procedure had not been followed, and the amount had instead been shown as deferred income under equity in the statement of financial position. Further, although the amortized value deducted from the deferred income account	Although no provisions had been received for capital expenditure from the General Treasury during the year under review, instructions had been issued by the Treasury to incur expenditure during the year based on the relevant capital provisions. Accordingly, depreciation amounting to Rs.16,712,556 and other capital expenses	The policy for keeping capital grant accounts in accordance with accounting standards should be determined and action should be taken accordingly.

amounted to Rs.16,712,556, the depreciation charge for the year was Rs.28,240,553, resulting in a difference of Rs.11,527,997.

amounting to Rs.10,547,552 had been written off from the deferred income account.

1.5.3 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) Although the intangible assets had been fully depreciated by the end of the year under review, they were shown in the financial statements at a value of Rs. 3,908,631 resulting in the assets being overstated by that amount.	Action will be taken to correctly record it in the Statement of Financial Position for the year 2025, and since the computer software has been fully depreciated, it will also be revalued during the year 2025.	The gross carrying amount of fully depreciated assets should be disclosed.
(b) Course income of Rs.2,714,164, which was directly credited to a current account during the period from 2022 to 2024, had not been identified and accounted for. As the balance of receivable course fees included an amount of Rs.745,000 that had already been settled in 2021, the balance of current assets had been overstated by that amount.	Bank deposit slips for direct remittances received by the bank during the years 2022 and 2023 are still being received. The remittances that were not reconciled during those years will be credited to the income in the year 2025 with the approval of the Board of Directors, and action will also be taken to correct the balance of Rs.745,000 relating to settlements made in 2021.	Course income for the year as well as income receivable should be accurately identified and accounted for.

1.5.4 Documentary Evidences not made available for Audit

Non provided Audit Evidence	Management Comment	Recommendation
Treasury approval relating to the transfer of employee loan interest to the Employees' Loan Fund.	This is a fund established in 2010 pursuant to Staff Circular No. 585 and actions had not taken to obtain Treasury	Treasury approval should be submitted to the audit.

approval for this. However, steps will be taken to terminate the fund in the future.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Management Comment	Recommendation
Course fees receivable amounting to Rs.3,122,150, which had been outstanding for more than two years as at 31 December 2024, had not been recovered and were included in the balance of trade and other receivables.	These monies receivable in the years 2020, 2021, and 2022, which are more than 02 years old, will be written off from the books in 2025, subject to the approval of the Board of Directors.	Maximum effort should be made to collect the money owed before it is written off from the books.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 25(1)E of the National Gem and Jewellery Authority Act, No. 50 of 1993, and Section (6) of Gazette Notification No. 882 dated 28 July 1995.	Although the number of members of the Board of Directors of the Institute should not exceed five, the number of members of the Board of Directors for the year 2025 was 06. In this, an Assistant Secretary to the Ministry of Industry and Entrepreneurship Development, who had not been named as a Director in the Gazette Notification, had been appointed as a	As per the section 06 of Gazette Notification No.882 dated 28 July 1995, Board of Directors consists of 05 members. According to the instructions received at the first Board of Directors' meeting of 2025, the Assistant Secretary to the Ministry of Industry and Entrepreneurship Development had participated in the Board meetings held in January, February, and March in 2025 as an observer. A letter has been sent to the Secretary to the Ministry of Industry and Entrepreneurship	The appointment of members of the Board of Directors should be appointed in accordance with the provisions of the National Gem and Jewellery Authority Act No. 50 of 1993 and Gazette Notification No. 882 dated 28 July 1995.

	Director.	Development requesting that this appointment be regularized.		
(b)	Section 139, Part 01, of the Procedural Rules of the Public Service Commission, published by Government Gazette Extraordinar y No. 2310/29 dated 14 December 2022	Although acting appointments should be limited to a maximum period of one year, the two and three years have passed for the officers serving in the posts of Director General and Director (Research) respectively, since the acting appointments have been given by 31 December 2024, without suitable officers being permanently appointed to those positions.	The acting appointment of the Director General has been extended by the current Board of Directors until April 30, 2025. It has also been arranged to forward any subsequent acting appointments to the Secretary to the Ministry of Industry and Entrepreneurship Development.	In accordance with the procedural rules, the recruitment procedure for the relevant posts should be followed, and suitable officers should be appointed on a permanent basis.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.4,919,535 and the corresponding surplus in the preceding year amounted to Rs.5,796,846. Therefore, a deterioration amounting to Rs.877,311 of the financial result was observed. Although the income from training courses had increased by Rs.5,295,225 and the Treasury grants by Rs.5,873,000 during the year under review compared to the previous year, the decline in miscellaneous income by Rs.1,919,636, and an increase in payments for cost of living allowances and maintenance expenses by Rs.6,812,220 and Rs.1,530,471 respectively were the main reasons for this situation.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) The Gem Deposit Exploration and Evaluation Project in Sri Lanka, expected to be implemented	Although continuous efforts were made to recruit the necessary project staff as per the Cabinet approved project	The project should be completed by carrying out gem deposit exploration

during the period 2017–2031 at an estimated cost of Rs.300.65 million, was planned to carry out gem deposit exploration activities in 50 Divisional Secretariat Divisions across 5 districts and to issue reports and maps accordingly. However, by the end of the year under review, only Rs.30,589,687 had been spent, and exploration work had been completed in 17 Divisional Secretariat Divisions located in 4 districts, with reports and maps issued only for 17 land areas.

Due to the absence of a formal agreement with the National Gem and Jewellery Authority regarding the future implementation of the project, the necessary subsequent actions such as auctioning the lands with the relevant reports and maps and issuing licenses had not been carried out. Further, although the project had planned to utilize Rs.174.15 million, expected to be earned from the auctioning of gem-potential locations identified between the time period from 2017 to 2021, to finance the expenses of the second and third phases of the research scheduled for 2022–2031, no such auctions had been conducted in 2022 and 2023, and therefore, related revenue had not been generated.

proposal, the required approvals and allocations had not been received up to the date. Consequently, the project had to be implemented utilizing three qualified geologists already employed in the Institute. However, with two of them having resigned from service and approval not being granted to fill the resulting vacancies, only one permanent research officer is currently engaged in the project, resulting in making it difficult to continue its implementation effectively.

Although the authority for gem deposit exploration in Sri Lanka has been vested in the Institute, it does not possess the authority to auction the gem potential lands identified through these explorations. Therefore, details of the identified gem potential lands have been provided to the National Gem and Jewellery Authority, which holds such powers.

With the intervention of the Ministry, a committee chaired by the Chairman of the Institute and comprising members of the Board of Directors and officers of the National Gem and Jewellery Authority, together with officers of the Institute, has been appointed to study the matter and prepare a report. The work of this committee is currently being carried out by the National Gem and Jewellery Authority.

in 50 Divisional Secretariat Divisions in 5 districts and issuing the relevant reports and maps as planned. Further, future activities should be carried out in proper coordination with the National Gem and Jewellery Authority.

(b) Although curricula for 21 training courses related to the subject areas with a rising demand had been developed, after enrolling students, only 14 courses had been implemented during the year, and no candidates had been enrolled for 7 courses. During the year under review, the number of students enrolled in these 14 courses had decreased by 14 percent from 1,577 to 1,334 compared to the previous year. The training courses on Gem Color Grading and Marketing, Gem Price Appraisal and Marketing, and Jewelry Diploma, which had been implemented in the previous year, had not been conducted.

Based on local and foreign market surveys related to gem and jewellery industry, 21 training courses with high demand and professionalism have been developed in accordance with the standards of the Tertiary and Vocational Education Commission. Courses have been planned under several course categories according to the competency related to the subject area. Also, the fall in demand for certain courses related to the gem and jewelry industry fluctuates over time. Also, due to the limited facilities available for implementing training courses and the permanent/external shortage of academic and non-academic staff, the courses have had to be limited in this way.

The Institute should achieve this by implementing the courses as planned and enrolling students.

(c) The Institute website had not been updated in a way that suits the present state and including information with regard to the current circumstances.

A project proposal was prepared to redesign the existing Institutional website, which was developed in 2010 and is currently inactive. Allocations have been made under the annual budget for the year 2025, and the tender has been awarded to Telecom (Services) Ltd through the procurement process conducted by a committee comprising a representative from the Ministry.

The Institute website should be kept up to date.

3.3 Under -utilization of Funds

Audit Observation	Management Comment	Recommendation
(a) The land acquired on a 30 year lease basis at a cost of	It was also included in the 2021-2025 five-year plan	Activities related to achieving the

Rs.14,204,402 for the construction of the Ratnapura District Office of the Institute had remained idle for over 8 years as construction had not commenced by the end of the year under review.

with the aim of constructing and completing a building on this land. Due to the COVID-19 pandemic situation in the country and the resulting social and economic situation, and the restrictions on government spending, further work has been delayed due to the inability to secure the necessary funds to construct a building on the land.

purpose of purchasing the land should be planned and implemented.

(b) An electric oven was purchased for Rs.10,977,344 in 2013 for burning gems and remained idle for 6 years and during 2020-2021, the machine was upgraded with spare parts and electrical circuits at a cost of Rs.3,953,540. The machine was used for only 05 research runs during 2020 - 2021 and was still inactive at the end of the year under review.

Although this electric oven was purchased and installed at the Ratnapura Centre, it could not be used for research purposes due to the lack of the required electricity supply capacity and the absence of a power generator. Therefore, the National Gem and Jewellery Authority agreed to provide the necessary power generator for the installation of this oven at the Ratnapura Centre.

Necessary steps should be taken to maintain assets in proper working condition and use them for operational purposes.

Although this oven has been successfully used for research activities since 2020, it is currently not in operational condition due to a malfunction in the control unit of the main board of the oven, which is now about 12 years old. The process of replacing the defective parts through the oven supplier under a service agreement with the parent company is currently underway.

3.4 Human Resources Management

Audit Observation	Management Comment	Recommendation
(a) The post of Director (Research) had been vacant since the cadre approved date in June 2011, and 15 out of 19 senior posts approved for research activities remained vacant. Further, the fact that 42 out of the total 50 posts approved for research activities, or 84 percent, were vacant, remained an obstacle to the successful implementation of research activities, which is the main field of work of the institute.	The staff of the institution has been vacant since the date of approval. Actions had been taken to recruit 03 Research Officers, 02 Lecturers, and 02 Management Assistants on a temporary basis. However, when the Ministry forwarded the relevant letters to the Department of Management Services, instructions were given not to proceed with the recruitment until the completion of the process of merging the National Gem and Jewellery Authority with the Gem and Jewellery Research and Training Institute.	Appropriate officers should be recruited in accordance with the recruitment procedure and actions should be taken to achieve the objectives of the Institute related to research.
(b) The fact that 06 Senior Training Officer posts, 04 Lecturer posts and 10 out of 23 Training Officer posts approved for the training functions of the Institute were vacant had adversely affected the performance of the training functions of the Institute. Due to the appointment of the Director (Training and Development) as the Acting Director General, it was not possible to obtain his contribution to the training activities of the Institute. As the gem and jewellery industry has undergone significant transformation in its technological, craftsmanship, and marketing sectors, although it is essential to have an	The Department of Management Services has instructed not to carry out this recruitment until the merger of the National Gem and Jewellery Authority and the Gem and Jewellery Research and Training Institute is completed. The number of highly educated people with technical and formal knowledge relevant to the gem and jewelry industry is very low. However, the Institute is taking steps to recruit a limited number of external training officers at the degree, postgraduate (Diploma, Masters, PhD) level to conduct as many courses as possible.	Appropriate officers should be recruited according to the recruitment process and training tasks should be executed with high performance to achieve organizational goals.

academic staff equipped with appropriate educational qualifications to meet these changes, since the majority of the employees in the training division possess only basic technical skills obtained through certificate-level courses, conducting training programs incorporating new technological and craftsmanship methods has become a challenge.

enable graduates to obtain a degree qualification related to this industry. From the year 2024, facilities have been introduced to follow the internationally recognized qualification, the British Gemmology Qualification (Gem-A Fellowship of Great Britain) for this industry which is also being launched and successfully implemented.