

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the G S M B Technical Services (Private) Limited 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 retain earnings 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 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows, for the year then ended in accordance with Sri Lanka Accounting Standards for small and medium size enterprises.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards , for Small and Medium Size Entities and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company.
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Accounts Receivable and Payable

1.5.1 Receivables

Audit Issue	Management Comment	Recommendation
Out of the receivable balance of Rs. 39,608,296 as at 31 December of the year under review for the services provided by the Company, 24 balances amounting to Rs. 5,131,827 had been outstanding for more than 10 years, and 36 balances amounting to Rs. 14,643,151 had been outstanding for a period between 5 and 10 years. Action had not been taken to recover these balances even by 31 March 2025.	Information relating to the write-off of debtor balances outstanding for more than 05 years included herein had been submitted to the Audit and Management Committee.	Action should be taken to recover the receivable balance

1.5.2 Payables

Audit Issue	Management Comments	Recommendation
259 institutions and individuals had paid advances totaling Rs. 26,736,993 to the company during the period 2010-2024 for the services provided by the company. Out of this, 108 advance balances amounting to Rs. 4,231,495, which were over 5 years old, had not been settled by the end of the year under review.	Although the policy for recognizing advances exceeding 05 years as income of the institution was approved by the Board of Directors in September 2024, its written revised confirmation (Minutes) was received in March 2025. Accordingly, the relevant adjustments will be made as per	Action should be taken to settle the advance balances.

the approved policy from the financial year 2025 onwards.

1.6 Non-Compliance with Laws, Rules, Regulations and management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) The Articles of Association of the Company			
(i) Section 12	Although updated geological data and information should be provided to new and existing mineral-based industries in Sri Lanka or elsewhere, a data system for that purpose had not been established.	In order to implement the clause of the Articles of Association relating to the establishment of a data system for providing updated geological data and information to existing and new mineral-based industries in Sri Lanka and elsewhere, neither any awareness nor guidance had been provided to institutional officers by the top management of the institution up to now, nor had any instructions been given under the annual performance evaluation to achieve the objectives of these clauses.	Action should be taken by the institution to achieve the fundamental objectives included in the Articles of Association of the Company.
(ii)Section 13	Although guidance should be provided for the establishment, production, and improvement of efficiency of new and existing mineral-based industries in Sri Lanka or elsewhere,	Such services had not been carried out by the Company during the year concerned, as no clients had come forward to obtain guidance on mineral-based processing, production, or value addition activities.	Action should be taken by the institution to achieve the fundamental objectives included in the Articles of Association of the

this task had not been carried out during the year under review.

Company.

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| (iii) | Section 16 | Although appropriate technological development activities should have been carried out to meet the demands of industries in Sri Lanka or elsewhere, such activities had not been carried out. | In the absence of observations and corrections regarding the composition, balance, and accountability of the Board of Directors as stipulated in the Articles of Association of the Company, it would not be practical to provide observations only on the institutional functions and responsibilities mentioned in the said Articles of Association. | Action should be taken by the institution to achieve the fundamental objectives included in the Articles of Association of the Company. |
| (b) | Paragraph 3.8 of the Public Enterprises Circular No. 01/2021(ii) dated 27 September 2023. | Although every subsidiary company is required to prepare an administrative and financial manual approved by the parent company's Board of Directors with the concurrence of the Department of Public Enterprises, the company had not prepared such a manual. | The drafted Human Resources and Administrative Operations Manual was submitted to the Chairman of the institution on 21 March 2025, and the Chairman has made a note to present it to the Human Resources Management Committee for review. As there are several matters currently to be discussed by this committee, the drafted Human Resources Management Manual will also be presented to the said committee and thereafter submitted to the institution's Board of Directors. | An administrative and financial manual should be prepared and the necessary approvals obtained in accordance with the circular provisions. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 86,562,911 and the corresponding profit in the preceding year amounted to Rs. 122,969,619 . Therefore a deterioration amounting to Rs. 36,406,708 of the financial result was observed. The reason for the deterioration was mainly due to the decrease of Rs. 39,469,639 in other non-operating income.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) Projects implemented under the Special Projects Division had recorded a financial loss of Rs. 9,103,617, while losses of Rs. 5,579,669, Rs. 8,552,276, and Rs. 6,265,173 had been reported respectively in the years 2021, 2022, and 2023. However, no action plan had been implemented to prevent this situation.	During the year 2024, the projects implemented by the Special Projects Division were in the process of obtaining licenses and carrying out preliminary activities. As a result, the Division was unable to earn a net profit for the year 2024. The main projects implemented under the Division — the Kantale Sand Mining Project and the Kotikambokka Thiruwana Project — could not be commenced due to delays in obtaining the necessary approvals from relevant government institutions.	An action plan should be implemented to prevent financial losses.
(b) The Ma Oya Sand Mining Project located in the Bathmure Grama Niladhari Division of the Kegalle District was initiated in 2023. Two mining licenses had been obtained from the Geological Survey and Mines Bureau for this project. Although approximately 375 cube of sand were to be excavated under these licenses, only about 6 percent — that is, around 24 cube had been excavated. Due to difficulties in finding suitable excavators, the company decided to terminate the project on January 7, 2025. As a result of carrying out activities without proper planning, the project incurred a total financial loss of Rs. 988,426.	Although the project has incurred a loss due to the problematic situation that existed at its inception, measures are currently being taken to implement the project as a profitable venture under the new mechanism introduced with the approval of the Board of Directors. Under this mechanism, if a contractor fails to excavate the minimum quantity of cubic meters allocated for each block, he is required to pay the amount specified in the agreement to the institution.	Projects should be initiated based on proper feasibility studies, and necessary measures should be taken to make the project profitable.
(c) Although the Kantale Sirimangalapura Sand Sales Center was established in 2023, the company had failed to commence the intended operations of the project. Consequently, the Board of Directors decided on 26 January 2024	As the commencement of the project was not possible due to the delay in establishing the necessary legal framework by the relevant state institutions, the matter was reported to the Board of Directors on 26	Projects should be initiated only after conducting proper feasibility studies and establishing the necessary legal

<p>to terminate the activities related to the project. Accordingly, a total expenditure of Rs. 1,765,917 incurred for the salaries of officers assigned to the project, as well as for transport and accommodation expenses, had remained unproductive.</p>	<p>January 2024. Accordingly, the Board instructed to discontinue the activities of the project.</p> <p>As the project was managed by officers assigned from within the institution's existing staff, no additional expenses were incurred for salaries and allowances. However, an amount of approximately Rs. 288,227 had been borne for accommodation and other related expenses of the project. It is noted that for any project, whether successful or unsuccessful, a certain level of expenditure must be incurred to facilitate the officers engaged in preliminary supervision and field inspections. Accordingly, a comparatively higher cost had been borne in relation to this project as well.</p>	<p>framework.</p> <p>Officers should be held accountable for expenditures incurred without proper planning.</p>
<p>(d) The Muthur sand mining project initiated by the company in the Paraipagngnam area of Trincomalee in August 2020 had continuously incurred losses. Therefore, action was taken in 2022 to restructure the project; however, the project activities were discontinued in the same year, with the approval of the Board of Directors granted on 25 July 2024. A total financial loss of Rs. 8,058,807 had been incurred from 2020 to 2024 through this project.</p>	<p>Investigations regarding the issues that occurred in the Muthur sand mining project have been conducted by the Internal Audit Division of the institution, the Internal Audit Division of the Geological Survey and Mines Bureau, as well as by the Ministry of Environment. The report of the investigation carried out by the Ministry of Environment has also been forwarded to the institution by now.</p> <p>However, due to the collapse of a bridge located in the Wellanawal area near this sand mining project, the Geological Survey and Mines Bureau had suspended the issuance of licenses, and accordingly, the project was discontinued based on a decision of the Board of Directors.</p>	<p>Action should be taken to implement the project in an organized, efficient, and productive manner.</p>
<p>(e) No sand sales had been carried out at the Yakkala Sand Sales Center</p>	<p>At present, a new procedure has been introduced with the approval of the</p>	<p>A proper sales plan should be</p>

	operated by the Company during the year 2024, and an expenditure of Rs. 974,132 had been incurred for the said center during the year under review without any return.	Board of Directors to regularize the operations of the Yakkala Sand Yard. However, due to an issue that has arisen in transferring the ownership of the land on which the Yakkala Sand Yard is located to the Geological Survey and Mines Bureau, it has not been possible to renew the storage license..	prepared, and necessary steps should be taken to carry out sales accordingly.
(f)	During the year under review, the New Town Sand Sales Center reported a financial loss of Rs. 2,146,347. Furthermore, since October of the year under review, six additional employees had been assigned to this center, which had previously been staffed by only one employee since 2022. As a result, the project cost had increased by Rs. 922,949.	<p>Action plans are being prepared to make the project profitable during the year 2025.</p> <p>However, during the year 2024, the project reported a loss of Rs. 387,613, while the audit observed that the loss had increased to Rs. 2,146,346 mainly due to the assignment of an additional group of officers not related to the project being charged to it.</p>	<p>Necessary measures should be taken to increase the sales of the sand sales center, and the Company should ensure that additional employees are not deployed. Further, an investigation should be conducted regarding the payments made to officers not related to the project, and disciplinary action should be taken accordingly.</p>
(g)	As at 07 April 2025, the Kotikambokka Quarts Deposit Excavation Project, which had been planned to commence in 2017, had not yet been initiated. However, a total sum of Rs. 27,865,149 had been idly borne from 2017 up to the end of the year under review for administrative expenses, surveying activities, purchase of fixed assets, employee salaries, and consultancy fees.	The institution has incurred expenses to carry out the preliminary activities related to the project, and in this regard, the project has achieved significant progress in recent times. Further activities are scheduled to be implemented in accordance with the Cabinet decisions and the recommendations provided by relevant government institutions.	The institution should take necessary actions to commence the project activities without delay.

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) According to the report submitted at the end of August 2022 by the drilling engineer in charge of the project and the field inspector responsible for the sand storage yard of the Kantale Suriyapura Thummodara Sand Project, a physical stock of 3,658 cubes of sand had been confirmed to be available in the store. However, an audit inspection revealed that this quantity of sand stock was not physically available. Although an investigation report regarding this matter had been issued on 7 May 2024, no action had been taken based on it, and instead, with the approval of the company's Board of Directors, the value of the sand stock amounting to Rs. 10,603,916 had been written off from the books. Meanwhile, the mining engineer who had served as the project manager since the commencement of the project in 2019 had his letter of resignation dated 6 May 2024 accepted, and a gratuity payment of Rs. 191,187 was made to him on 14 June 2024.	A committee of inquiry has been appointed by the Ministry in connection with the sand shortage at the Kantale Suriyapura project, and the committee, through the Geological Survey and Mines Bureau, has provided a technical report regarding the missing sand cubes. This report is currently being reviewed, and necessary steps are being taken to record the statements of the employees who served in the said project.	The company should take action to promptly conclude the investigations related to the sand shortage, identify the responsible parties, and recover the losses accordingly.
(b) Physical stock verifications had not been carried out in respect of the consumable material stock valued at Rs. 5,124,774 and the stock valued at Rs. 40,445 at the New Town Sand Sales Centre as at the end of the year under review.	It is assumed that the monthly stock reports submitted to the Accounts Division are prepared based on physical stock counts carried out by the officers in charge of the respective locations. Furthermore, if a continuous physical verification of sand stocks is required, such instructions should be issued in writing by the Audit Division, and future implementation can be carried out based on their recommendations regarding the cost	The company should carry out physical stock verifications as appropriate.

and time involved in conducting the stock verification.

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| <p>(c) Investigations related to two fixed asset items valued at Rs. 671,650, which had been misplaced during the years 2018 and 2019, had not been completed.</p> | <p>Investigation committees have been appointed regarding the misplaced fixed asset items, and the investigations are currently in progress; however, the final recommendations have not yet been received by the Accounts Division.</p> | <p>The relevant investigations should be concluded promptly, and losses should be recovered from the responsible parties.</p> |
| <p>(d) During the period from 2014 to 2020, 43 toner cartridges valued at Rs. 522,555 had been purchased; however, as the relevant printers were not available in the institution, those toners had been identified as obsolete stock by the end of the year under review.</p> | <p>Fifty toner cartridges valued at Rs. 522,555 had been retained in the stores, as the corresponding printers were not available in the institution and some had been removed from use after being declared irreparable. Since it was uncertain whether these toners could be used for any printers to be purchased in the future, and as they had remained unused for a considerable period, the matter was reported to the Board of Directors. Subsequently, approval was granted to dispose of them following an evaluation conducted by a committee appointed by the Board.</p> | <p>Disciplinary action should be taken against the officers responsible for the unnecessary procurements.</p> |
| <p>(e) Based on the Cabinet approval bearing No. CP/14/0385/527/009 dated 29 May 2014, which grants a professional allowance to drilling engineers serving at the Geological Survey and Mines Bureau, the company had also paid a total of Rs. 2,189,292 as professional allowances to its mining engineers for the period from February to December 2024, with the approval of the Board of Directors.</p> | <p>By a memorandum dated 10 March 2014 submitted by the Minister of Environment and Renewable Energy, it was proposed to grant an engineering allowance to the engineers serving at the Geological Survey and Mines Bureau. Cabinet approval for implementing this allowance was granted on 29 May 2014. Accordingly, approval had been granted at the 185th meeting of the Board of Directors to pay the said allowance to the company's drilling engineers in recognition of their special professional contribution, in line with the practice of the parent organization.</p> | <p>As the said Cabinet decision is not applicable to this company, which has been established as a separate legal entity from the Bureau, the professional allowance paid should be recovered.</p> |

(f)	Action had not been taken to release the deposits of Rs. 680,000 paid to the Divisional Offices for the Muttur Pareipangnan and Mullaitivu Boralu projects in 2014 and 2020, nor to settle the deposits of Rs. 648,000 received by the institution for lorries during the period from 2013 to 2015.	A letter had been submitted to the Divisional Secretary of Trincomalee on 20 November 2024 to release the deposit paid to the Divisional Office for the Muttur pareipangnan Project; however, the necessary action to refund the amount has not yet been taken. Regarding the deposit of Rs. 400,000 related to the Mullaitivu Boralu Project, repeated written requests had been made for its release, but the Department of Wildlife Conservation has informed that the refund cannot be made as the rehabilitation activities have not been properly carried out.	Necessary action should be taken promptly to settle the deposit balances.
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3.3 Human Resource Management

Audit Issue	Management Comment	Recommendation
(a) The company's former Manager (Administration and Public Relations), who was considered to have left the institution as of 16 May 2019, had filed a case against the company at the Colombo Labour Tribunal following his termination. According to the Tribunal's judgment, the termination of the said officer was deemed unfair. Consequently, the company had paid Rs. 1,521,000 to the officer and Rs. 405,000 as legal expenses. Due to the company's weak human resource management, a total of Rs. 1,926,000 had been incurred by the company unproductively.	<p>The Chief Executive Officer had transferred this officer to the 28th Milepost Project in the Polonnaruwa District with effect from 11 March 2019, citing service requirements of the institution.</p> <p>Although a request had been made to cancel the said transfer citing reasonable grounds, the institution's senior management had not considered the request.</p> <p>Although the institution had issued several reminders regarding the transfer, the officer had failed to report to the assigned location, and therefore he was considered to have vacated his post. As transfers and suspensions had been carried out without due consideration of labour laws, the Human Resources Division, which had no involvement in</p>	As this unproductive expenditure had arisen due to the institution's weak human resource management, the responsible officers should be held accountable, and disciplinary action should be taken against them.

those decisions, was later compelled to appear for legal proceedings on behalf of the institution.

- (b) The company had confirmed 35 officers in permanent service with effect from 9 October 2023. Although applications should have been obtained from all internal employees, evaluated by an interview board, and suitable applicants selected and confirmed accordingly, this procedure had not been followed. However, it had been stated that the performance evaluation process for permanent appointments had been properly carried out and that the selections were made through interviews. Accordingly, approval of the Board of Directors had been obtained at its 182nd meeting held on 21 September 2023.
- With regard to the confirmation of employees of the institution in 2023, a report submitted by the Investigation Division of the Ministry of Environment and a detailed report were requested to be forwarded. Accordingly, taking into consideration the recommendations made in the reports of the committee appointed by the Ministry's Audit and Management Committee—comprising officers of the Geological Survey and Mines Bureau—a memorandum has been submitted to the institution's 194th Board of Directors meeting to review the necessary future actions.
- Employee confirmations should be carried out in accordance with the proper procedure.

4. Accountability and Good Governance

4.1 Annual Action Plan and Performance

	Audit Issue	Management Comment	Recommendation
(a)	The Geological Division had achieved low performance levels of 23 percent and 42 percent respectively in relation to the environmental studies and other geological projects implemented by the division.	The heads of the respective divisions should be held responsible for the low or nil progress reported in the performance report.	An action plan should be introduced to achieve the expected objectives.
(b)	The functions of the Human Resources Division, Sales and Planning Division, Production and Stores Division, Legal Division, and Information Technology Division had not been included in the	We have not been instructed to include non-income-generating divisions. However, requests have now been made	The action plan should be prepared in a manner that represents the

company's action plan for the year under review.

to the relevant divisions to submit their action plans in order to rectify this matter.

These will be submitted to the Board of Directors in due course.

functions of all divisions of the institution.