

Transactions report of the National Gem and Jewellery Authority – Lanka Gemological Laboratory (Private) Limited - 2024/2025

The audit of the operational activities of the National Gem and Jewellery Authority – Lanka Gemological Laboratory (Private) Limited (“Company”) for the years ended 31 March 2025 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 the National Audit Act, No. 19 of 2018. My observations which I consider should be presented to the parliament appear in this report.

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

Each audit entity should maintain its own books and records of its income, expenditure, assets and liabilities to enable it to prepare annual and periodic financial statements on that entity in terms of Section 16(1) of National Audit Act, No.19 of 2018. The annual financial statements for each audit entity should be submitted to the Auditor General by the Chief Accounting Officer along with the Annual performance report of such instances as may be specified by the rules in terms of Section 16(2) of the Act. It should be ascertained to prepare annual reports and other financial statements within the required time period in terms of Section 38(1) (d) of the Act and in addition to that the Chief Accounting Officer should be responsible for submitting of the annual reports related to the entity which was being audited to parliament.

2. Financial Statements

2.1 Submission of Financial Statements

The financial statements approved by the Board of Directors for the years from 01 April 2014 to 31 March 2025, which were to be submitted to the Auditor General within 60 days of the end of the accounting year in accordance with Section 6.6 of the Operational Guidelines for State Enterprises issued by State Enterprise Circular No. 01/2021 dated 16 November 2021, had not been submitted for audit up to the date of this report.

2.2 Assets, Liabilities, Income and Expenses

The details of assets, liabilities, income and expenses as shown in the financial statements for the year ended 31 March 2014, prepared by the Company for the last time, are as follows.

Item of the Financial Statements	Amount
	Rs.
Assets	
Current Assets	139,006,695
Total Assets	139,006,695
Equity And Liabilities	
Equity And Reserves	124,178,950
Liabilities	
Current Liabilities	14,827,745
Total Liabilities and Equity	139,006,695
Total Income	-
Total Expenses	(257,271)
Deficit	(257,271)

2.3 Maintenance of Accounts and Records

Audit Observation	Comments of the Management	Recommendation
Cash/bank books, ledger accounts, payment vouchers, journals, and bank reconciliation statements had not been prepared and maintained by the Company for the period from 01 April 2014 to 31 March 2025.	Answers have not been given.	Action should be taken to maintain the accounts, books and supporting documents properly.

2.4 Balances Payable

Audit Observation	Comments of the Management	Recommendation
The National Gem and Jewellery Authority had paid a sum of Rs. 369,440 for a tour to Thailand and a sum of Rs. 1,032,887 for a tour to Germany for the Chairman and a Director in 2014, and it had not been settled even by the end of the 2024/25 financial year.	Answers have not been given.	Action should be taken to settle the money paid for foreign tours expeditiously.

3. Operational Review

3.1 Establishment of the Company

Audit Observation	Comments of the Management	Recommendation
(a) It was pointed out by the Attorney General in 2005 that joining hands with any private individual or Organization in establishing a laboratory is contrary to the provisions of the National Gem and Jewellery Authority Act, No. 50 of 1993, and releasing money to any private individual or Organization to establish such a laboratory is a serious violation of legal provisions. Despite the objection, based on an agreement entered into between the National Gem and Jewellery Authority and the Sri Lanka Gem and Jewellery Association (SLGJA), the Company was established on 29 May 2008 under the Companies Act, No. 07 of 2007 as a private limited Company under the name of Lanka Gemological Laboratory, with the aim of establishing a fully-fledged gem laboratory in Sri Lanka with facilities for treatments to increase the value of gems and determining the origin of gems and to obtain international recognition for the certificates issued.	Answers have not been given.	The legality of the establishment of the Company should be examined and the future action should be decided accordingly.

3.2 Establishment of the Fund

Audit Observation	Comments of the Management	Recommendation
(a) Based on an agreement entered into between the National Gem and Jewellery Authority (NGJA) and the Sri Lanka Gem and Jewellery Association (SLGJA), in addition to	Answers have not been given.	Since it is illegal to charge fees without publishing them in the Gazette, action should be taken

the 0.25 percent export service fee charged by the Authority on the value of gem exports, the Authority had recovered another 0.25 percent service fee from exporters since January 2001 and credited it to the “Laboratory Development Fund”. With the approval of the Cabinet of Ministers dated 28 January 2009, the amount of Rs. 92,498,579 collected in this fund had been credited to the account of Lanka Gemological Laboratory (Pvt) Ltd. on 27th April 2009. Charging an additional service fee as above had not been published in the Gazette.

based on legal advice regarding the money credited to the Company.

3.3 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though 08 years have passed since the approval of the Cabinet of Ministers was given on 24 August 2016 to transfer back the amount transferred to the account of the Company and the interest added thereon to the National Gem and Jewellery Authority Fund and by utilizing those funds to establish the proposed internationally recognized advanced technological gemological laboratory under Section 111 of the National Gem and Jewellery Authority Act, No. 50 of 1993 , action had not been taken as per the said decision.	Answers have not been given.	Action should be taken to establish a gemological laboratory legally as per the decision of the Cabinet of Ministers.
(b) The Company had been established in 2008 and had been in existence for 16 years by 31 March 2025. However, the Company had failed to achieve its objectives. The Board of Directors of the Company had not met after 16 May 2019, and the necessary legal measures had not been taken to continue the Company or to wind up its affairs.	Answers have not been given.	A decision should be made regarding the legal winding up of the Company, and action should be taken accordingly

3.4 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) According to the balance confirmation dated 19 November 2025 submitted to the audit by the Bank of Ceylon, renewal notices related to a Fixed Deposit of Rs.255,344,229 and the Bank statements related to the Current Account which remained a balance of Rs.25,840,283 belonging to the company as at 31 March 2025 were not submitted to the audit.	Answers have not been given.	The necessary information regarding bank accounts and deposits should be submitted to the audit.
(b) The balance of Rs. 25,840,283 in the above current account had remained idle since 2015 without being invested in any income-generating source.	Answers have not been given.	Action should be taken to manage the cash balance and utilize the same for future activities.
(c) The Company had not registered for income tax. The income tax payable as at 31 March 2014 of Rs. 14,619,695 and withholding tax balance of Rs. 4,784,831 remained unsettled even by 31 March 2025.	Answers have not been given.	Action should be taken to settle the income tax and withholding tax payable.