

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Lanka Mineral Sands Limited (“Company”) 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. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the 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.

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 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 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 Responsibility on 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

Audit Observation	Comments of the Management	Recommendation
<p>Even though the cash flow statement should have been prepared in accordance with Sri Lanka Accounting Standards 7, the instances where it was not in compliance were as follows.</p>		
<p>(a) A sum of Rs. 1.25 million received in the year 2024 from the loan given by the company to the Janatha Estates Development Board had not been disclosed under investing activities in the cash flow statement.</p>	<p>I agree with this audit observation.</p>	<p>Action should be taken to include the cash transactions, made during the period, in the cash flow statement.</p>
<p>(b) A sum of Rs. 12.8 million paid in the year 2024 from the balance payable to the Department of Coastal Conservation and Coastal Resources Management had not been disclosed under operational activities in the cash flow statement.</p>	<p>-Do-</p>	<p>-Do-</p>

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
<p>A license was obtained by paying a sum of Rs. 15 million to the Department of Coastal Conservation and Coastal Resources Management to mine 30000 cubes of mineral sand from 15 October 2024 to 15 October 2025, and as at 31 December 2024, 3179 cubes of mineral sand had been mined under it. Although Rs. 13.41 million related to 26821 cubes of mineral sand should have been accounted as a license fee paid in advance, the profit for the year was overstated by Rs. 2.29 million due to it being accounted as Rs. 15.70 million.</p>	<p>It is informed that the advance payment of Rs. 2.29 million will be adjusted against the profit of the previous year of 2025 by 31.12.2024.</p>	<p>The value of the advance payment should be accurately identified, and adjustments should be made.</p>

1.5.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Management	Recommendation
<p>The accuracy of the relevant adjustments was not confirmed during the audit as evidence to show that Rs. 140.80 million was deducted from the profit of the previous year as a tax adjustment in the year under review and the evidence to verify a sum of Rs. 138.17 million included as the adjustment of previous year under the adjustments made to the profit before tax in the cash flow statement was not presented to the audit.</p>	<p>The entry in the Provision for Income Tax Account is correct, and necessary adjustments have been made to the adjustment account of the previous year. Since there is no higher - ranking officer to check and sign the journal vouchers prepared by the Acting Deputy General Manager during the preparation of the journal vouchers, only the signature of the Deputy General Manager (Finance) put for it. The necessary methodology in this regard will be prepared in the future.</p>	<p>Action should be taken to submit formal evidence relevant to the verification of the journal entries, and only the values along with evidence should be adjusted in the accounts.</p>

1.6 Accounts Receivable and Payable

1.6.1 Receivable

Audit Observation	Comments of the Management	Recommendation
(a) Even though the royalty expense of Rs. 2.52 million paid for ilmenite, rutile and non-magnetic heavy minerals (NMT) had been indicated under the advance payments for more than five years, action had not been taken to settle the relevant balance.	It was informed on several occasions to recover the royalty paid in excess to the Geological Survey and Mines Bureau, and it has been informed that action would be taken to offset this previously paid royalty against the royalty payable at the time of sale of the relevant production items.	Action should be taken to settle the royalty paid in excess.
(b) The amount of Value Added Tax receivable, amounting to Rs. 63.71 million for the period from 2006 to 2023, had not been settled.	The necessary actions are being taken to check the balance of the Value Added Tax account with the Inland Revenue Department and settle it expeditiously.	Action should be taken to settle the balance of Value Added Tax receivable.

1.6.2 Payable

Audit Observation	Comments of the Management	Recommendation
(a) Action had not been taken to settle the retention balance of Rs. 11.13 million relating to the period from 2013 to 2023.	Action is being taken to settle the retention money payable.	Action should be taken to settle the retention balances immediately.
(b) Action had not been taken to settle 68 various creditor balances amounting to Rs. 5.34 million from the year 2011 and Rs. 6.06 million for the period 2021-2023, payable to the contractor for the construction of the internal road system of the Pulmoddai plant premises.	Even though the relevant work was completed around 2012, the road was constructed at a density and quantity more than expected in the tender. Since the proper approvals had not been obtained at that time to make the relevant payment, the completion of those payments has become problematic. Letters of confirmation of the balances for the relevant balances were sent to the relevant suppliers. Only one supplier	Amounts payable should be made only upon approval, and the remaining amounts should be settled after verification.

replied to the same. Accordingly, payments were made to one supplier who was on the list at the same time as they were ready to be removed from the accounts as per the relevant approval of the Board of Directors. Since a Board of Directors meeting was not held in the latter half of last year, a decision could not be taken in this regard. However, after confirming the balances again, action will be taken to write off this year.

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| (c) | 50 percent of the Rs. 2.10 million payable to the tax consultancy firm for filing an appeal against the income tax of Rs. 21.52 million payable to the Inland Revenue Department for the assessment year 2014/2015 had been paid. Although the consultancy service had been terminated, the remaining Rs. 1.05 million had not been settled since 2019. | The release of the relevant fees to KPMG institution was delayed until the security deposit of Rs. 5.3 million that we had deposited for the appeal was returned. Since this money has been received on 11.08. 2025, action will be taken to pay it through the approval taken by the Board of Directors in the future. | Action should be taken to settle the tax consultation fees immediately. |
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1.7 Non-Compliance with Laws, Rules Regulations and Management Decisions etc.

Reference to Laws, Non-Compliance Rules Regulations etc.	Comments of the Recommendation Management
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(a) Letter of the Secretary to the Treasury No. PE/GO/CO/14/02 dated 30 March 2004

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| (i) Even though the attendance allowance per person was approved at Rs. 500 per month by the relevant letter, it was increased from time to time up to Rs. 3,000 based on the decisions of | The Director General of the Department of Management Services has informed that since it has been decided that the allowances in the public sector cannot be increased by Cabinet Paper No. 24/0553/601/040 and the Cabinet Decision dated | Allowances paid without obtaining Treasury approval should be recovered. |
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the Board of Directors and in the year 2024, Rs. 3.20 million was paid to the employees of the Head Office and Rs. 14.43 million to the employees of the Pulmoddai plant without obtaining Treasury approval.

18.03.2024, the request for an increase in the food allowance and attendance allowance cannot be agreed at this time.

(ii) Even though the food allowance was approved at Rs. 35 per day by the relevant letter, it was increased from time to time up to Rs. 200 per day based on the decisions of the Board of Directors without the approval of the Treasury, and in the year 2024, Rs. 4.26 million was paid as the food allowance to the employees of the Head office and Rs. 25.05 million was paid to the employees of the Pulmoddai plant.

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(b) Public Enterprises Circular No. 1/2021 (i) dated 16 May 2023

Even though the approval of the Board of Directors should be obtained by fulfilling the necessary Circular provisions, and with the recommendation of the Audit Committee in writing off losses or receivables, the said approval had not been obtained in writing off the value-added tax value of receivables of Rs. 37.48 million in the year 2024.

The amount of Rs. 37.48 million was written off as Value Added Tax during the year under review after the VAT audit by the Inland Revenue Department, and is subject to the approval of the Chairman. However, it is submitted for the approval of the Board of Directors.

The approval of the Board of Directors should be obtained on the recommendations of the Audit Committee as per the provisions of the Circular.

- (c) Public Enterprises Circular No. 1/2015(ii) dated 14 January 2022 and Paragraph 11.3 of Public Enterprises Circular No. 01/2024 dated 28 February 2024
- Even though the approval of the Secretary of the Line Ministry is required to provide additional fuel in cases where the monthly fuel allowance is insufficient to perform the duties of the Chairman, an additional fuel cost of Rs. 3.85 million was reimbursed to the Chairman from September 2022 to August 2024 without obtaining the relevant approval.
- Approval has been obtained as per the Circular for the additional fuel obtained from October 2022 to March 2023. Annexures have been submitted. Even though the relevant approval was submitted to the Board of Directors in April and May 2023, detailed reports have been requested to be resubmitted. Subsequently, the report on additional fuel consumption from January to July 2024 was forwarded to the Ministry, and it was requested to be submitted with the recommendations of the Board of Directors, and action was taken accordingly. Since the Board of Directors of the institution had not been established at that time, the recommendation of the Board of Directors could not be obtained.
- Fuel allowances should not be paid in excess of the limit without approval, and action should be taken against the parties involved in such payments.
- (d) Paragraph 07 of Public Administration Circular No. 25/2014 dated 12 November 2014.
- The Company had recruited 114 employees as casual workers for the Pulmoddai plant in the years 2023 and 2024 without obtaining the approval of the Board of Directors, and the approval of the Department of Management Services. At present, 97 of the casual workers recruited accordingly are marked in the fingerprint scanner of the company and report to work, and the company pays salaries to only 17 employees. Although 80 casual workers were
- It is informed that an investigation is being conducted in connection with a complaint made to the Commission to investigate Allegations of Bribery or Corruption regarding the relevant recruitment. It has been decided to recruit the relevant persons for 41 vacancies of labor posts existing in the institution, and to identify several non-essential vacancies in the approved cadre of the Pulmoddai plant, and to suppress
- Recruitment of employees should be carried out in accordance with the provisions of the Circular, and an investigation should be conducted regarding the recruitment of casual workers without approval, and disciplinary action should be taken against the officers responsible for the same. Further, the officers in charge of

allowed to mark their arrival and departure on the fingerprint scanner of the plant premises for a period of 12 months without receiving salaries, the reasons for this were not presented to the audit.

several other posts. In this regard, the matter has been referred to the Director General of the Department of Management Services for approval. Accordingly, it is informed that action will be taken in accordance with the approval given there.

administration should also be responsible for marking fingerprint of non-salaried individuals entering the plant premises.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a loss of Rs. 77.06 million, and the corresponding profit in the previous year amounted to Rs. 4,050.72 million. Accordingly, a deterioration amounting to Rs. 4,127.79 million of the financial result was observed. Even though the company had not been able to sell its main products adequately in the previous years, it had earned an income of Rs. 4,226.94 million from the sale of its by-product Zircon Concentrate in the previous year. However, the insufficient sale of both the main products and by-products in the year under review was the main reason for the decrease in income for the year under review by Rs. 4,286.43 million.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) In terms of the Cabinet Decision No.CP/11/2068/553/018/1 dated 19 September 2011, the Company had provided an amount of Rs. 500 million to the State Resources Management Corporation Limited in the year 2012 for implementing a retirement compensation scheme for the employees of the Ceylon Ceramics Corporation. Although the company had filed a case CHC/569/2017/MR against the State Resources Management Corporation in the Colombo Commercial High Court in 2017 to recover this amount, the company was informed by the letter No.	As per the instructions given at the meeting held at the Department of Public Enterprises in this regard, action has been taken to put the case number CHC/569/17MR in the Colombo Commercial High Court on hold before the end of the year 2024. Further, the liquidation of the State Resources Management Corporation is beyond the control of our institution, and it should be carried out by the Treasury.	Action should be taken to solve this issue by discussing it with the Treasury and the loan and interest should be recovered.

MI/RST/09/04/07 (IV) dated 04 October 2024 of the Additional Secretary of Public Enterprises and Restructuring to take necessary action to put this case on hold until the liquidation of the State Resources Management Corporation was completed, as per the Cabinet Decision No. CP/18/Miscellaneous (019) dated 22 May 2018, which had directed the government to refrain from taking legal action against other government institutions for the purpose of resolving disputes between them. Although only Rs. 387 million was indicated as payable to Lanka Mineral Sands Limited according to the financial statements of the Ceylon Ceramics Corporation, in the year 2022, the company had taken action to write off this loan amount, and the related interest amounting to Rs. 517.42 million from the books with the approval of the Board of Directors.

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| (b) | <p>Incentives should be paid based on monthly ilmenite as per the proposed production-based incentive payment method to be paid to the staff of the company, approved by the Department of Public Enterprises, and the minimum monthly ilmenite production should be 2800 Metric Tons. It was also stated that if there is any change in the incentive payment method, approval should be obtained from the Department of Public Enterprises. However, in a situation where the company has failed to achieve a minimum monthly ilmenite production level from October 2024 to 31 May 2025, a production-based incentive of Rs. 36.87 million was paid contrary to the said approval.</p> | <p>Since it has not been possible to produce and store mineral sands since October 2024, and due to the non-payment of incentives on production to the employees in the relevant months, there has been unrest among the employees, and the requests made by them were considered and submitted to the Department of Public Enterprises in this regard. The relevant approval has been granted in accordance with the letter PED/I/LMS/3/11(iv) dated 25.04.2025 issued by the Director General of the Department of Public Enterprises to pay the incentive on monthly production subject to the actual lack of production during the period from October 2024 to March 2025 from the total actual production of the year 2025.</p> | <p>The incentive paid contrary to the approval given should be recovered from the responsible parties, and action should be taken to prevent such payments in the future.</p> |
| (c) | <p>During the year 2024, Rs. 4.53 million was paid to the Bureau at the expense of the Company in excess of the amount collected from the buyer as royalty when</p> | <p>The Company receives the amount of money from the buyers for the sale on the basis of release from the warehouse and the amount of money with the</p> | <p>An arrangement should be introduced to recover the full</p> |

obtaining export licenses from the Geological Survey and Mines Bureau for 1380 Metric Tons of rutile and 100 Metric Tons of zircon.

royalty (Ex-Works+Royalty). However, we have to pay the royalty to the Geological Survey and Mines Bureau on the basis of the goods being loaded on the ship (FOB) and its monetary value. Further, when the money is credited to our accounts, we get the value of the purchase price for one US Dollar at the Bank of Ceylon exchange rate, and we have to pay the royalty at the Central Bank of Sri Lanka exchange rate for one US dollar. For that reason, our Company has to pay the royalty for a higher value compared to the amount received. We have informed the Geological Survey and Mines Bureau in writing in this regard, and further discussions in this regard are underway.

amount paid as royalty from buyers, and any royalty paid in excess of the amount collected should be recovered from buyers.

- (d) With the aim of establishing a new factory in Kokilai to continuously supply raw materials required for the value addition project for mineral sand, a land of 17.67 hectares was acquired in 2013 at a cost of Rs. 2.25 million and 117 employees were recruited in 2015 to work in the proposed plant. However, the plant had not commenced its work even by 30 June 2025, the date of the audit, i.e., after a period of more than 10 years. An expenditure of Rs. 43.71 million had been incurred for this project as at 31 December 2024.

The commencement of the Kokilai Plant was delayed due to the changes in the management that occurred from time to time in the institution. However, in the first half of 2024, a tender was invited to recruit a consultant to prepare a project report for the construction of a plant. A Consultant Procurement Committee was appointed in this regard, and after the tender was invited, the bids received were referred to the relevant committee and recommendations were obtained. However, with the subsequent changes in the management, the members of the relevant committee also left. The relevant work has been suspended in this situation, and a new Consultant Procurement Committee should be appointed and the work should be carried out. However, the institution will commence the project activities following a very formal methodology in the future.

Necessary measures should be taken immediately to formally commence the activities of the plant after discussing with the relevant parties.

- (e) Even though the Company had a stock of 187,951 Metric Tons of mineral sand at the beginning of the year 2024, it had produced 26,744.1 Metric Tons during the year and sold only 1,490 Metric Tons during the year. The company's sales of mineral sand have been continuously decreasing from 2021 to 2024 to 81137 Metric Tons, 64380 Metric Tons, 32071 Metric Tons and 1490 Metric Tons respectively and no plan had been prepared to increase sales. Due to this, the Company had faced a problem of exceeding the storage capacity of the plant and 15000 Metric Tons of mineral sand had been stored in the Trincomalee Port warehouse since March 2024 at a cost of Rs. 1.5 million per month.
- The continuous decline in sales income from 2021 to 2024 was due to the weakness of the sales methodology. Since the Cabinet approval has already been given to change in the sales methodology, action has been taken to follow the new methodology for the sales tender to be held from this year. It is expected that this liquidity issue will be removed through this methodology. It was decided to store 15000 Metric Tons of ilmenite at the Trincomalee Port Complex to continue the production of ilmenite, and since the 15000 Metric Tons of ilmenite could not be sold as expected, the Trincomalee Port warehouse has to continue to pay monthly fees.
- The company should implement a formal arrangement to promote the sale of mineral sands and solve this issue immediately, and limit annual production based on annual sales and warehouse capacity.
- (f) The former Chairman and Chief Engineer (Mining and Processing) had attended the "2024 Global Zircon Conference" held in Haikou, China from 15 April 2024 to 20 April 2024. Even though the price offered by the foreign institution by which the conference was organized was Rs. 2.19 million, the Company had borne an amount of Rs. 3.2 million. According to the letter addressed to the Secretary of the Ministry of Industry by the Chairman on 04 April 2024, the primary objectives of the foreign visit were to complete the project to improve the quality of ilmenite production by 2024, to increase the selling price of the Company without any interference from the agents, and to study the expectations of the buyers and make the adjustments required thereto, and increase the profitability of the Company. However, no evidence was presented to the audit that any new foreign buyer was introduced to the Company and the sales of the Company in the year 2024 were only 1 percent of the expected sales. The term of office of the Chairman who participated in this visit had ended in
- In this regard, I inform you that necessary actions will be taken as per the recommendations mentioned in the audit report submitted by the Internal Auditor of the Ministry of Industries dated 22.07.2025 dated MI/CIA/04/08/33.
- A formal investigation should be conducted and action should be taken to recover the loss incurred by the institution from the responsible parties.

September 2024, and the Chief Engineer (Mining and Processing) had not reported to the Company since 19 December 2024. Accordingly, the institution had not received any expected benefits from the expenses incurred for this foreign visit.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though the Company had 03 valid mining licenses for the period 2018-2028 for the mining of raw sand in the Pulmoddai, Poduwakattu and Thevikkallu areas, the Company had taken action to mine only the Pulmoddai mining license in the years 2023 and 2024. According to the laboratory reports of the Company, the percentage of tailings contained in the coarse sand inputs in the year 2024 was observed to be 37 to 64 percent higher, and due to the long-term mining of coarse sand along the Pulmoddai coastline, the heavy mineral composition contained in the raw sand of that coastline was gradually decreasing.	Even though the Company had 03 licenses valid from 2018 to 2028, mining activities were carried out under only one license for the Pulmoddai zone in the years 2023 and 2024. Due to the long-term mining of mineral sand in the Pulmoddai seabed, the percentage of heavy mineral sand contained in it has decreased. According to the laboratory reports of the Company, the percentage of tailings contained in the raw sand has increased by the year 2024. It has become very difficult to carry out mining activities under the regulations imposed by the GSMB for mining activities in the Pulmoddai zone. The percentage of heavy mineral sand in the Podduwakattu and Thevikkallu areas is very low.	Mining of mineral sand should be carried out under the regulations of the Geological Survey and Mines Bureau.
(b) The Geological Survey and Mines Bureau rejected 7 new exploration license applications submitted by the Company on 25 May 2023, stating the failure to submit a mining plan for the next 20 years, and the underutilization of existing mining licenses. Even by the end of the year under review, the Company did not have any exploration licenses.	It has been given a period of 6 months to submit the relevant 20-year mining plan to the Bureau by the letter of the Geological Survey and Mines Bureau dated 03.01.2023. Accordingly, the relevant plan was submitted on 29.06.2023. However, before the report was submitted, the Bureau rejected the request for these new exploration licenses on 26.04.2023 (more than a month before the relevant reports were submitted). According to the letter	Mining licenses should be prevented from remaining underutilized and mineral deposits should be reserved for long-term mining.

dated 03.01.2023 of the Geological Survey and Mines Bureau, it is stated that there is no need to extend exploration licenses in areas where exploration activities have been completed. A new mining plan for the next 25 years has been prepared to cover the exploration areas of the institution, and it was submitted to the Geological Survey and Mines Bureau on 31.07.2025. Accordingly, actions are being taken to reserve the relevant mineral deposits for long-term mining.

3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>The contract for the establishment of a Human Resources Information System (HRIS) in the institution was awarded to a private company on 20 September 2024 for a sum of Rs. 2.19 million and the installation of this computer software was to be carried out within a period of 60 days as per agreement. Even though the computer software was installed only in the Pulmoddai plant premises, the work of installing this software in the Head Office was still in the initial stage even by 30 June 2025. However, by 25 September 2024, 90 percent of the contracted amount or Rs. 1.97 million had been paid.</p>	<p>Currently, relevant activities are being carried out to correct the salary conversions, and the relevant information should be provided to the software developer of that institution. Further, the fact that the officer appointed for this purpose in the Head Office had to be transferred to the Pulmoddai plant on several occasions due to various reasons has also led to the non-performance of the work at the Head Office.</p>	<p>The installation of the Head Office software should be completed, and used.</p>

3.4 Idle Assets

Audit Observation	Comments of the Management	Recommendation
<p>(a) One of the two mobile plants purchased in 2022 for Rs. 328.88 million for the purpose of mining mineral sand in areas with less than 30 percent heavy mineral on the East Coastal line was installed in the Pulmoddai plant premises in</p>	<p>Even though attempts were made to find two suitable lands in the Poduwakattu and Thevikkallu areas for the installation of the machines, one plant was established in the Pulmoddai plant premises because attempt failed. Accordingly, around 4134 Metric Tons</p>	<p>An investigation should be conducted, and disciplinary action should be taken against the responsible</p>

- 2024 and a power supply system was also purchased for it at a cost of Rs. 8.63 million. However, the plant remained as an idle asset without being used for production activities by 30 June 2025. Further, the remaining mobile plant worth Rs. 159.35 million was not installed and its parts were placed in various places in the Pulmoddai plant premises without being secured.
- (b) A dryer was purchased on 30 June 2016 for Rs. 45.12 million with the aim of reducing fuel consumption by 50 percent at the Zircon plant, and a sum of Rs. 954,000 was spent in 2024 to make the machine operational. However, the company failed to make the machine operational. Accordingly, Rs. 46.07 million had become an idle expense.
- (c) Spare parts worth Rs. 13.36 million were purchased until December 2024 for the motor for the seawater pumping station purchased for Rs. 7.82 million in 2018. However, the motor was removed from the seawater supply system and was kept idle in the warehouse by 12 June 2025.
- of raw sand were fed, and about 852 Metric Tons of concentrated mineral sand were obtained between November 2023 and November 2024. After that, a suitable land was provided to our institution by the Kuchchaveli Divisional Secretary to establish the remaining plant in the Poduwakattu area. However, since a person in that area claimed that the ownership of that land belonged to him and filed a case, that process was also temporarily stopped.
- After purchasing the dryer, the local representative failed to make it operational and a lot of effort was taken to solve the issue. However, they demanded a large amount of money. Since the institution did not approve the payment of that amount, he withdrew from the project. In this situation, it was decided to take the assistance of a local company. Later, a great effort was made to make it operational by paying two local institutions. Since they were unable to fix the technical issues, the project was abandoned.
- The Submersible Solutions Pump purchased to obtain seawater for the operation of the Block - A plant was used continuously for 24 hours, even in rough sea conditions, and repairs were made due to wear of spare parts. After the repairs, it is in a very suitable condition for use. However, the Submersible Solutions Pump delivery line has completely decayed and the brackets that fix the Submersible pump to the seabed have decayed. However, it cannot be used and has been kept safe.
- officers for purchasing the machines and leaving them idle and parts unsecured without carrying out the basic work required to install the machines.
- Those responsible for purchasing this machine should be identified, and action should be taken to recover the losses incurred.
- Appropriate action should be taken on the recommendations of an inspection board consisting of a Technical Officer.