

## **National Gem and Jewellery Authority-Lanka Gemmological Laboratory (Private) Limited – 2020/2021**

---

The audit of the operations of the National Gem and Jewellery Authority - Lanka Gemmological Laboratory (Private) Limited ("Company") for the year ended 31 March 2021 was carried out under my direction in pursuance of provision 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 furnished to the parliament in term of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

### **1.2 Responsibilities of Management and those Charged with Governance for the Financial Statements**

---

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. As per Section 16(2) the annual financial statements in respect of every auditee entity, shall be submitted by the Chief Accounting Officer to the Auditor General along with the annual performance reports, within such period as may be provided by rules. As per Sub Section 38(1) (d) ensure the timely preparation and submission of annual and other financial statements and in addition the Chief Accounting Officer shall be required to submit annual reports to Parliament pertaining to the auditee entity.

## **2. Report on Other Legal and Regulatory Requirements**

---

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

As per the section 150(1) of the Company Act No .07 of 2007, the board of directors of the company shall ensure that within six months after the balance sheet date financial statements are certified by the person responsible for the preparation.

### **2.1 Financial Statements**

---

#### **2.1.1 Presentation of Financial Statements**

---

##### **Audit Observation**

---

Financial statements of the company for the years 2015/16, 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21 had not been submitted even as at the date of this report.

##### **Comments of the Management**

---

Not replied by the company.

##### **Recommendation**

---

Action should be taken to submit the financial statements.

## 2.1.2 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<b>Maintenance of Books and Accounts</b>		
The following books and records which should be maintained, for the period of 01 April 2014 to 31 March 2021, had not been maintained by the company.  (i) Cash/Bank books. (ii) Ledger accounts. (iii) Journals. (iv) Bank Reconciliation. (v) Payment vouchers.	Not replied by the company.	Actions should be taken to maintain the books and accounts.

## 2.2 Accounts Receivable and Payable

### 2.2.1 Payables

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The charges amounting to Rs.369,440 and Rs.1,032,887 relating to the tours to Thailand and Germany in year 2014 had been paid by the National Gem and jewellery Authority on behalf of the Chairman and a Director of the company. However, These amounts hadn’t been settled up to audited date.	Not replied by the company.	Actions should be taken to settle.

### 2.3 Non-compliance with Tax Regulations

#### Audit Observation

Actions had not been taken to register for income tax or pay income tax up to the date of audit. Further, Income tax and With-holding tax payable amounting to Rs.14,619,695 and Rs.4,784,831 respectively had not been paid even as at 31 March 2021.

#### Comments of the Management

Not replied by the company.

#### Recommendation

Actions should be taken to register and pay income tax.

### 3. Operational Review

#### 3.1 Management Inefficiencies

#### Audit Observation

The company had been established in the year 2008. However, the management of the company had failed to achieve any objectives of the company, even as at the end of the year under review.

#### Comments of the Management

Not replied by the company.

#### Recommendation

Actions should be taken to accomplish the company objectives.