

Geological Survey and Mines Bureau – 2017

The audit of financial statements of the Geological Survey and Mines Bureau for the year ended 31 December 2017 comprising the Statement of Financial Position as at 31 December 2017 and the Statement of Financial Performance, Statement of Changes in Equity, Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my discretion in pursuance of provision in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No: 38 of 1971 and Section 18(3) of Mines and Minerals Act No: 33 of 1992. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was furnished to the Chairman of the Bureau on 27 September 2018.

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards, consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of risks of material misstatements of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bureau’s preparation and fair presentation of the financial statements in order to design audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the Bureau’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of the report, the financial statements give a true and fair view of the financial position of the Geological Survey and Mines Bureau as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Consolidated Financial Statements

Even though the Bureau has 66 per cent ownership out of total share capital of GSMB Technical Services Company affiliated to the Bureau with net assets of Rs. 229,934,178 as at 31 December of the year under review, the consolidated financial statements had not been furnished by consolidating the financial statements of that Company along with the financial statements of the Bureau.

2.2.2 Non-disclosure of Transactions with Related Parties

The following relationships and transactions had in between the Bureau and the GSMB Technical Services Company had not been disclosed in the financial statements.

- (a) The Chairman of the Bureau was the Chairman of GSMB Technical Services Company officially
- (b) Expenditure incurred on behalf of the Bureau by the relevant Company
- (c) The recruitment of employees for the Bureau on contract basis through the Company.
- (d) Deployment of employees of the Company for the duties of the Bureau and Execution of Company's duties by the employees of the Bureau.

2.2.3 Sri Lanka Public Sector Accounting Standards

The following non-compliances are observed.

(a) **Sri Lanka Public Sector Accounting Standard 02**

- (i) An amount of Rs. 2,102,992 that stated under Work In Progress in the previous year had been remained without change in the year under review as per Statement of Financial Position. However, a cash outflow of Rs. 597,479 had been stated for Work In Progress under investing activities when preparing the Cash Flow Statement.
- (ii) Deferred income of Rs. 3,286,893 that should be adjusted to operating income under non cash movements in the Cash Flow Statement had been stated as cash outflow under financing activities.
- (iii) Instead of adjusting Rs. 20,562,846 that credited to the distress fund, Rs. 292,528 of interest received to that fund and Rs. 1,337,867 of payments from fund separately in the Cash Flow Statement, Rs. 19,517,507 of that net balance had been stated as cash outflow under financing activities.

(b) **Sri Lanka Public Sector Accounting Standard 03**

Although an amount of Rs. 3,276,493 out of the foreign grant of Rs. 16,968,108 that received to the Bureau 2016 was stated in the Statement of Financial Performance as amortization in the year under review, an accounting policy related to account the foreign grant accounts had not been disclosed in the financial statements.

(c) **Sri Lanka Public Sector Accounting Standard 07**

Even though the depreciation of an asset was commenced from the date on which that asset was available for use in terms of Section 69 of the Standard, property, plant and equipment valued at Rs. 456,925,092 had been depreciated on the value existed as at the end of the month in which those were purchased.

(d) **Sri Lanka Public Sector Accounting Standard 08**

The following observations are made.

- (i) The provision for the amount of Rs. 1,136,348 that estimated by the legal officer that had to be paid due to the lawsuit that filed against the Bureau by the owner of the building that carried out the Badulla Regional Office had not been made in the financial statements as per Paragraph 22 of the Standard.
- (ii) 18 lawsuits had been filed against the Bureau by the external parties and 04 lawsuits had been filed against the external parties by the Bureau as at the end of the year under review and it had not been disclosed about this in the notes of the financial statements as per Section 100 of the Standard.

2.2.4 Accounting Policies

Loan balances of Rs. 3,941,549 that exceeding 05 years as at the end of the year under review had been prevailed and an accounting policy for the provision of bad debts had not been identified.

2.2.5 Accounting Deficiencies

Following observations are made.

- (a) Expenditure on the staff, renovating of offices and projects amounting to Rs. 14,832,994, Rs. 777,059 and Rs. 1,618,283 incurred from the year 2011 to the year 2017 by the GSMB Technical Services Company on behalf of the Bureau had not been stated in the accounts of the Bureau.
- (b) Even though lands valued at Rs. 199,962,533 owned by the Bureau had been vested to the other Government institutions in the year 2015, those had been included further in the accounts as fixed assets.
- (c) The cash surplus of Rs. 9,137,179 that should be non-refunded though received from a foreign university for maintenance activities of the Tsunami Communication Centre, Pallekele, had been stated in the accounts as a current liability.
- (d) 157 chemical bottles that owned to 23 varieties remained in the laboratory as at the end of the year under review had not been stated as closing stock by counting.

2.2.6 Lack of Evidence for Audit

Following accounts objects that stated in front of the evidences had not been presented to the audit.

Accounts Object -----	Amount ----- Rs.	Evidences not Presented -----
(a) Stock (Books and Maps)	668,527	Not verifying the physical existence
(b) 395 journal vouchers	222,226,636	Approval for the journal vouchers

2.3 Accounts Receivable and Payable

Although the Goods and Services Tax was cancelled in the year 2002, a balance receivable had been stated in the financial statements continuously as not settling a sum of Rs. 973,143 paid in excess in the relevant years.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following incidents of non-compliances are observed.

Reference to Laws, Rules and Regulations	Non-compliance
(a) Section 26(1) and 44(b) of Mines and Minerals Act No. 33 of 1992.	Even though the royalties recovered by the Bureau for the Government should be sent to the Treasury, royalties of Rs. 428,601,622, Rs. 438,810,229, Rs. 568,348,602 and Rs. 94,780,968 received in the years 2014, 2015, 2016 and 2017 respectively had been retained without remitting to the Treasury.
(b) Finance Act No. 38 of 1971	
(i) Section 9(2)(f)	A sum of Rs. 4,531,246,600 remitted to the Treasury in the year under review had been accounted as a decrease of retained earnings instead of accounting as expenditures.
(ii) Section 11	Even though sums of Rs. 275,406,692 and Rs. 2,332,800,273 had been invested in Treasury Bills and fixed deposits respectively as at the end of the year under review, the relevant approval of it had not been obtained.
(iii) Section 13(8)	Replies for the report of Auditor General had not been given for the year 2016 as per Section 13(7)(a) of Finance Act.
(c) Paragraph 6(2)(a) of Part II of the Payment of Gratuity Act, No.12 of 1983	Though gratuity should be calculated based on the ½ month salary as per Act, a sum of Rs. 6,317,415 had been overpaid to 16 officers as it had been computed based on the monthly salary since the year 2015 and Rs. 59,387,751 had been overprovisioned.
(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 104	Action in terms of Financial Regulations had not been taken in respect of 23 motor vehicle accidents in the year under review.
(ii) Financial Regulation 371(5)	Balances of Sub-Imprest of Rs. 4,457,890 unsettled as at the end of the year under review had been brought to account as the balances of trade and other receivables without settling them.

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| (e) | Section 4.2.6 of the Public Enterprises Circular No. PED/12 of 02 June 2003 | The quarter, semi-annual and annual progress reports for all divisions in the Bureau had not been presented to the Board of Directors by preparing. |
| (f) | Public Administration Circular No. EST/TPORT/05/35/5 on 29 December 2016 | The reports of qualified mechanical engineer had not been taken before accepting prices of garage for the internal repairs done for 06 vehicles within the year and after repairing. |

2.5 Transactions not supported by appropriate authority

Consumable items valued at Rs. 964,950 had been removed from the stock without obtaining the approval of Board of Directors and action had not been taken as per Public Finance Circular No. 438 on 13 November 2009 in this regard.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the profit of the Bureau for the year under review was Rs. 4,752,278,508 and as the corresponding profit was Rs. 1,564,027,187 for the preceding year; a rise of Rs. 3,188,251,321 had been occurred in the financial results for the year under review as compared with the preceding year. Although the operating expenditure of the Bureau by Rs. 18,803,342, administration expenses by Rs. 30,732,195 and income tax by Rs. 48,398,761 had been increased, royalty income by Rs. 3,047,443,154, license fees by Rs. 50,851,306, the increase of finance income by Rs. 165,046,696 and other income by Rs. 20,516,016 had been the reasons for above rise.

When analyzing the financial result for the year under review with 04 preceding years, a growth in the profit had been observed continuously from 2013 to 2017. However, the contribution of the Bureau after adjusting employee remunerations, government taxes and depreciation for non- current assets was Rs. 910,344,782 in the year 2013 and it was increased continuously upto Rs. 5,182,846,496 in the year 2017.

4. Operating Review

4.1 Performance

4.1.1 Planning

Following observations are made.

- (a) The Corporate Plan prepared for the period of 2015- 2017 by the Bureau had not been updated in the year under review.

- (b) An Action Plan had not been prepared for the fulfillment of the objectives mentioned in the Corporate Plan by including the functions of 11 divisions and 16 regional offices in the Bureau and giving physical and financial performance targets and responsibilities for each division.

4.1.2 Activities and Review

Following observations are made in respect of the fulfillment of objectives.

- (a) Out of the functions of the Bureau, the progress of the preparation of geological maps, identification and assessment of mineral resources had been at a slow pace and any activity such as evaluation of commercial viability of mining, processing of minerals, transportation, storing and trade, advising the Minister on the measures to be adopted for the extraction of minerals, value addition and exportation of production on a commercial basis had not been carried out.
- (b) Although the powers of enforcing the Act had been vested to the Bureau, the Bureau had failed to take legal actions for the violations of the Act as there was no a unit of enforcement.
- (c) The progress stated in the drafted Annual Report that presented to the audit could not be examined due to not preparing annual, semi-annual and quarterly performance reports for each divisions of the Bureau or not maintaining required documents for each tasks.

4.2 Management Activities

The following observations are made.

- (a) Even though the employers' contribution and employees' contribution for the Employees' Provident Fund should be to the ratio of 3:2, the employers' contribution and employees' contribution of the Bureau had been 12 per cent and 10 per cent respectively. As such, the employers' contribution had been under paid by 3 per cent. No information whatsoever had been disclosed in notes of accounts as well on the employers' contribution for the Employees' Provident Fund.
- (b) When deploying officers in field inspection, only two Field Assistants had been deployed to cover 32 Divisional Secretariat Divisions in 3 Districts such as Anuradhapura, Vavuniya and Mannar.
- (c) The Bureau had failed to prepare an appropriate methodology for the recovery of royalty for the quantity those excessively mined though the mining had been done constantly exceeding the approved amount in the mining license by the miners and for taking legal actions for the violation of the conditions in the licenses

- (d) The full license fee along with the application prior to obtaining recommendations required for the issue of licenses and advances for the royalty to be recovered on the quantity of mineral mined under the license had been charged. As such, an amount of Rs. 255,984,868 relating to the applications that could not be issued licenses had been accumulated in the Bureau as at the end of the year under review. A sum of advances exceeding 03 years that included in this was Rs. 66,166,080.
- (e) Although it was a duty of the Bureau to issue mineral transport permit, in addition to that, 16 employees of an affiliated company to the Bureau had been deployed for writing permits for 4 sand mining projects and the salaries of these employees had been paid by the relevant company.
- (f) Although the old license should be returned when giving new licenses for transporting sand, 723 incidents that issuing new licenses by paying a fine without returning transport licenses issued to lorries from the sand selling projects in Polonnaruwa District had been observed. It had been given opportunity for transporting sand without any control by using those transport licenses as it could get a new license by paying a fine of Rs. 500 without returning licenses.
- (g) Action had not been taken to account the building owned to Ministry of Mahaweli Development and Environment that carrying out the head office of the Bureau from 2012 without vesting legally.

4.3 Transactions with Contentious Nature

Following observations are made.

- (a) 51 gold mixed soil containers had been exported within the period of 2014-2017 by 03 companies without taking mining, transport, trade and export licenses for minerals that should be taken as per Section 44 of Mines and Minerals Act No. 33 of 1992. The royalty payable of Rs. 11,534,375 had not been paid by 03 relevant companies for mining gold and actions had not been taken by the Bureau for the recovery of those royalty.

(b) Payment of Incentives

An amount of Rs. 79,912,466 had been paid as employee incentives related to the year 2016 in the year under review. Following observations are made in that regard.

- (i) The Deputy Secretary to the Treasury had given the approval on 02 August 1996 for the payment of an incentive based on the performance. However, action had not been taken to prepare such an incentive scheme and obtain the approval therefor.
- (ii) Net earnings of Rs. 199,851,558 which should not be applicable for incentive had been based in paying incentive and incentive of Rs. 99,925,779 had been paid by calculating on that.

- (iii) Although 0.75 marks had been allocated for the performance out of 01 mark allocated to the employees as the basis of calculating incentives, 0.75 marks had been given for all employees without evaluating the performance. The balance 0.25 marks had been given proportionately according to the number of medical leaves saved. Accordingly, it was revealed that the incentives had been paid based only on the saved leaves without evaluating any performance.
- (iv) Twenty per cent or Rs. 20,562,846 out of the qualified amount for the payment of incentive had been credited to a Welfare Fund named Emergency Distress Fund for which approval of the Treasury had not been received. Five per cent or Rs. 3,823,565 had been credited to this fund even in the previous year.
- (v) Although the Board of Directors had approved to pay 50 per cent of the net earnings that was Rs. 101,475,313 as incentives, the basis of deciding overhead expenditure as 15 per cent form the income when deciding that net earnings had not been revealed to the audit.
- (vi) Although Rs. 110 million had been provisioned as incentives in the year under review, an estimated profit had not been based for that.
- (vii) Incentives of Rs. 5,449,500 had been paid in year 2017 only on the approval of Board of Directors for 114 employees attached on the contract basis from an affiliated company of the Bureau without an approval of Treasury.

(c) Yan Oya Reservoir Scheme

- (i) Action had not been taken to select buyers for the removal of sand through a competitive and open measures based on proper plan on the way that should be removed the sand deposit arisen from the premises of the Yan Oya Project.
- (ii) 126 mining licenses had been issued by the Bureau without the approval of Central Environment Authority and Department of Archaeological as per Section 30 of Mines and Minerals Act No. 33 of 1992 for the each mining area when giving licenses for sand miners.
- (iii) Although so many conditions stated in the mining licenses were violated by the miners, action had not been taken to follow up in respect of that or to take measures as per Section 37(a) of Mines and Minerals Act No. 33 of 1992.
- (iv) Steps had not been taken to do action as per the Act against the miners who breached the responsibility of rehabilitation of environment and to rehabilitate the environment by proper monitoring of tasks related to that as per Section 61 of Mines and Minerals Act No. 33 of 1992.

- (v) The royalty of Rs. 26,774,540 that should be recovered for 1,338,727 soil cubes used for the constructions works of the Yan Oya Project had not been recovered from relevant construction company.
- (d) The market price of Rs. 4,000 that determined for 01 cube of sand had been increased by 100 per cent to Rs. 8,000 from 01 January 2017 through the Internal Circular No. 129/12/2016. Any market survey details, requests or approvals based for this increase had not been presented to audit and though sale price at the mining place that should be considered as the determined market price for sand had been in the range between Rs. 3,500 to Rs. 4,450, deciding of Rs. 8,000 as the relevant price had been contentious.
- (e) Signing of transport licenses of 04 mining projects implemented by an affiliated company of the Bureau had been assigned to the employees deployed on contract basis through relevant company.

4.4 Apparent Irregularities

An amount of Rs. 11 million had been approved by Board of Director for the implementation of a public awareness programme on the function of the Bureau based on announcement of the subject minister in the year 2014. The procurement guidelines had not been followed when selecting an entity for the implementation of the programme and the Chairman had approved on 30 December 2014 to pay an advance of Rs. 1,500,000 to an entity recommended by the committee of implementing programme. Accordingly, the Bureau had given advance by cash to the Chairman on 20 December 2014. The Bureau had not been belonged any information on the way the money spent or the way the tasks executed and advance had not been settled until 30 June 2018.

4.5 Commencement of the Projects on the lands/property not vested properly

A regional office had been constructed by spending Rs. 4,040,144 in a land vested with Anuradhapura District Secretariat by the Bureau in 2014 and the relevant building had been taken back by the District Secretary in the year under review without giving that money to the Bureau.

4.6 Resources of the Institution Given to the Other Institutions

Two geologists of the Bureau had been released to the Ministry of Foreign Affairs since 17 October 2016 in contrary to the Section 8.3.9 of Public Enterprises Circular no. PED/12 on 03 June 2003.

4.7 Staff Administration

The approved cadre of the Bureau was 445 and the actual cadre and vacancies as at 31 December 2017 was 306 and 139 respectively. Following facts were observed in that regard.

- (a) Recruitments had not been done in the year under review for the 17 posts of Field Assistant, 03 posts of Assistant/Deputy Director (Finance), 02 posts of Finance Officer and post of transport officer that were vacant.
- (b) A sum of Rs. 2,847,451 had been paid per month as salaries and allowances by recruiting 73 employees on contract basis through a company affiliated to the Bureau without confirming the qualifications required for the post and monthly work done. Out of these contract employees, 37 had been recruited excessively for the posts of management assistants.
- (c) Although there were 04 vacancies for the posts of Registrar/ Assistant Registrar, 17 employees on contract basis as Assistant Registrar and an Assistant Registrar through affiliated company of the Bureau had been recruited.
- (d) Even 168 graduate trainers had been recruited when deploying 100 employees on contract basis. As per Public Administration Circular No. 12/2000 on 19 July 2000, though the responsible task should not be assigned for those trainers, it had been assigned in the official duties of regional offices and head office.
- (e) A retired officer had been deployed in the service on contract basis for the post of Store Keeper who has the responsibility of custody of assets in terms of the Financial Regulation 315 from 2016 to June 2018 without the approval of the Cabinet of Ministers.
- (f) It had been recruited for 04 posts of Geologists without approving Scheme of Recruitment.
- (g) A Finance Advisor had been recruited for 06 months without the prior approval of Board of Directors and the approval of Treasury for the post of Finance Advisor that was not a post included in the approved cadre. An assignment had not been given to the Advisor and the reports on the duties done were not there. An amount of Rs. 378,000 of Rs. 63,000 per month had been paid to this Finance Advisor appointed without approval of the board of Directors when a permanent officer had been appointed for doing duties in the post of Director Finance.
- (h) Post of Director (Finance)

- (i) The conditions on educational qualifications and service experience had not been stated comprehensively and clearly in the approved Scheme of Recruitment for the post of Director (Finance) that was approved on 14 August 2017.
- (ii) The qualifications stated in the approved Scheme of Recruitment had been stated by changing when stating the qualifications and experience required for the post in the newspaper advertisements.

- (iii) According to the Scheme of Recruitment, although the marks that should be given at the interview was allocated as 30 marks for additional qualifications and additional experience, 15 marks for other achievements and 25 marks for the performance at the interview, the approval of the Board of Directors had not been taken by preparing a marking scheme for interviews by deciding prior the criteria to be considered for the various fields under each category and the way of allocating marks.
- (iv) Although service experience of 13 years should be for the post of Director (Finance) as per Scheme of recruitment, only the service experience of 05 years had been received for the recruited applicant.

4.8 Utilization of Vehicles

Although there were 48 vehicles owned to the Bureau, the vehicles had been remained underutilized as the number of drivers assigned was 33. As it was not assigned the drivers for 23 vehicles, their responsibility had not been assigned for any driver.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals

As the Geological Survey and Mines Bureau had not been aware of United Nations Sustainable Development Agenda for the year 2030, action had not been taken to identify the sustainable development goals and targets relating to the activities thereof, along with the milestones in respect of achieving those targets, and the indicators for evaluating the achievement of such targets.

6. Accountability and Good Governance

6.1 Presentation of Financial Statements

Although financial statements and draft annual report should be presented to the Auditor General within 60 days after ending the financial year as per the section 6.5.1 of the Public Enterprises Circular No: PED/12 dated on 02 June 2003, the financial statements and draft annual report of the Bureau for the year under review had been presented on 31 May 2018.

6.2 Internal Audit

Following observations are made.

- (i) A permanent assistant audit staff comprising 4 officers approved for the Internal Audit Unit had not been appointed and the only 04 general clerks had been appointed.

- (ii) A proper Internal Audit Plan had not been prepared so as to cover all activities of the Bureau in terms of Financial Regulation 133(2) and 02 units of the Geology Division and 11 activities of the Human Resources Division had not been included in the Audit Plan and those had not been subjected to audit.
- (iii) 11 activities of audit tests relating to the Geology Division to be performed according to the Internal Audit Plan had not been performed.
- (iv) The action taken by each divisions for the internal audit findings ha not been reported.

6.3 Procurement and Contract Process

6.3.1 Procurements

Following observations are made.

- (a) Procurements on consultancy services and non- capital goods had not been included to the Procurement plan prepared for the year under review by the Bureau. A procurement timetable had not been prepared even for the Procurement Plan prepared on capital goods and, even action had not been taken to update the plan.
- (b) 03 procurement works amounted to Rs. 385,000,000 that should be commences during the year had not been commenced during the year and 06 procurement works of Rs. 182,813,000 that should be completed during the year had not been completed.
- (c) Although an amount of Rs. 1,505,000 paid to a private company before 06 years for conducting system study for the implementation of the government policy of institutional re-mechanism had been stated as Work In Progress in the financial statements, the relevant system had not been established until June 2018. The follow up activities in this regard had not been done even.

6.4 Budgetary Control

Significant variances ranging from 27 per cent to 218 per cent were observed between the budgeted and actual income and 12 per cent to 1203 per cent between the budgeted and actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

6.5 Tabling of Annual Reports

Although the Annual Reports should be tabled within 150 days elapsing the financial year as per Section 6.5.3 of Public Enterprises Circular No. PED/12 on 02 June 2003, the Annual Reports of 2015 and 2016 had not been tabled in the Parliament even by the month of June 2018.

6.6 Unsolved Audit Paragraphs

Following observations are made.

- (a) The required action had not been taken in the year under review to recover the penalty and other expenses amounting to Rs. 2,459,663 as 04 officers of the Bureau, who had proceeded abroad for studies, had left the service without completing the period of obligatory service.
- (b) Although it was informed to the audit that the equipment valued at Rs. 597,231 mentioned that the former Director General had been taken was recorded in the stores documents falsely, relevant error had not been corrected even in the year under review.
- (c) In contrary to the Section 6 (iii) of Circular of ministry of Finance and Planning No. 01/2010/01 on 11 October 2010, an amount of Rs. 469,300 had been overpaid exceeding the due subsistence allowance in 2015 to 09 officers in the Bureau who participated in the foreign tour.
- (d) Royalty of 7 per cent on the Free On Board (FOB) value of those sand when exporting mineral sand should be charged and the royalty had been underpaid as a private company had falsely calculated the Free On Board value when exporting mineral sand. Although it had been disclosed in the previous year audit report, action had not been taken to charge values by finding.
- (e) Accounting of assets valued at Rs. 964,300 that purchased on behalf of the clients in the previous year and reimbursed by them as the assets of the Bureau had not been corrected even in the year under review.

6.7 Performing Social Responsibility

Following observations are made.

- (a) The conditions for the rehabilitation of mined premises had been included in the license when giving mineral mining licenses and even the bank guarantees had been taken by the Bureau since to persuade the license holder to rehabilitate the mined premises. But, the license holders had violated the conditions in the licenses and required action had not been taken to rehabilitate the premises even by taking bank guarantee. Here, action had not been taken by the bureau to take legal action against the license holders who had violated the conditions or to refuse giving license again by blacklisting them.
- (b) Even though it had been observed that severe environmental and social issues had arisen due to excavation of minerals carried out by violating conditions set out in the license, the Bureau had not taken adequate steps to prevent such mining.

7. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Bureau from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls -----	Observations -----
(a) Accounting	(i) Some books had not been maintained. (ii) Some Sri Lanka Public Sector Accounting Standards and Policies had not been followed. (iii) Journal entries had not been approved.
(b) Issuing of Laboratory Reports	Methods of issuing reports had not been maintained precisely and in writing and relevant divisions had not been made aware.
(c) Operating Control	(i) Taking decisions on transporting minerals had not been done by the Director General. (ii) A register on income received for the posts had not been maintained.
(d) Use of Petty Cash Imprest	Monthly bills had been paid using petty cash imprest by the regional offices.
(e) Staff Management	(i) A register to record on the applications received for the posts had not been maintained by the Director General. (ii) There was no transparency in giving marks to the applicants when recruiting for the post of Director (Finance).
(f) Vehicle Control	(i) Log book of vehicles had not maintained by updating as per Financial Regulation 1645 and 1646. (ii) Daily running charts and monthly running summaries had not been presents to the Auditor General. (iii) Some running charts of 02 vehicles given for duties in Ampara nad Kalutara regional offices had not been presented.

- (iv) The relevant travels of assigned vehicles to Ampara and Kalutara regional offices had not been confirmed as official travels.
- (v) The garages had not been registered for the repairing vehicles.