

GSMB Technical Service (Pvt) Limited - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the GSMB Technical Services (Pvt) Limited for the period of 09 months ended 31 December 2020 comprising the Statement of Financial Position as at 31 December 2020 and the Statement of Comprehensive Income, Statement of Retained Earnings and Cash Flow Statement for the period of 09 months ended, and notes to the financial statements, including a summary of significant accounting policies, 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 and Finance Act, No. 38 of 1971. 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 2020, and of its financial performance and its cash flows for the period of 09 months then the day ended in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Enterprises.

1.2 Basis for Qualified Opinion

My opinion is qualified based 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 Standard for Small and Medium-sized Enterprises 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 Scope of the Audit (Auditor's responsibility for the Audit of 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 skepticism 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 it 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 Preparation of Financial Statements**

1.5.1 **Internal Control on Preparation of Financial Statements**

Company is 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.

1.5.2 **Accounting Deficiencies**

Audit Observation	Comments on Management	Recommendation
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(a) It had not been taken actions to dispose 08 motorcycles and a bicycle which were purchased under various projects during the period 2008-2015 at a cost of Rs. 10,003,442 and that were in a unusable condition.	Only 03 motorcycles are being used currently out of fixed assets of 08 motorcycles and the bicycle that were in various projects and, the rest had been identified as the assets that should be disposed when preparing Fixed Assets Survey reports. The relevant report had been submitted to the board approval. The Board had instructed to dispose the assets that should be disposed by valuing through valuer. Accordingly, though it has been requested to obtain the state valuer service from Sri Lanka Valuation Department, a reponse had not been received until now.	Actions should be taken to assess and dispose unusable assets expeditiously.

- (b) The sand mining income of the Kanthale Sand Mining Project was Rs.29,280,420 and, the cost incurred for the construction of 03 safety dams in Mahaweli River out of this income was Rs.33,799,796. The above income and expenditure had been accounted in a control account called "Rehabilitation of Kanthale" instead of stating in separate income and expenditure accounts. The company had stated an advance of Rs. 4,519,376 towards the cost of the rehabilitation work by exceeding the income received from the sale of sand for this rehabilitation work.
- The construction of safety dams in Mahaweli River in Sooriyapura area in Kanthale was done as for the initial concurrence made at the inception of the project and, an amount of money for the rehabilitation work had been allocated from every sand cube of the construction of the dam at the inception of the project. At the construction of dam payment to the relevant parties, it had been deducted from the account balance. It is not an income for sand mining as mentioned in the audit report and, this account has been maintained similar to liabilities accounts for payment to Mahaweli Authority, royalty payment, payments to Wildlife Department and payment for loaders that included in every other projects. Though the debit balance of Rs.4,519,376 as at 31 December 2020 in that fund has been shown in advance receivable account, there is a possibility of covering the relevant money at the completion of sale of sand stock of the Kanthale Sand Project.
- Income and expenditure should be stated separately in the accounts and, expenditure should not be incurred by exceeding the income.

1.5.3 Lack of Written Evidence for the Audit

Subject	Amount	Unprovided Audit Evidence	Comments on Management	Recommendation
	Rs.			
Debt balances	153,165	It was stated that the loan balance to be paid for 03 sand projects from 03-05 years is Rs. 153,165 and there was no relevant written evidences.	This will be investigated and further action will be taken.	Written evidence of outstanding debt balances must be properly maintained.

1.6 Accounts Receivables and Payables

1.6.1 Receivables

Audit Observation	Comments on Management	Recommendation
(a) An amount of Rs.550,000 paid in year 2018 by the Company for Yan Oya Project Office, Residence Office of Geological Survey and Mining Bureau and consultant that made an evaluation of requirements of human resource and training that included in other receivables had not been reimbursed from the Bureau.	The amounts receivables of Rs. 150,000 and Rs.400,000 respectively from Geological Survey and Mining Bureau for office and residential building in Yan oya Project premises and evaluation of human resources. A letter including copies of all relevant documents related to recovery of that money had been sent to the Bureau on 10 August 2020.	Actoins should be done ot recover relevant money.
(b) The amount of Rs. 24,988 paid to the employees provided to the Geological Survey and Mines Bureau on hire basis had not been recovered and, company has taken measures to write off as bad debts.	The amount of Rs. 24,987.78 due from the Geological Survey and Mines Bureau was written off as bad debts under the approval of the Board of Directors. The relevant money could not be recovered due to the problematic condition arisen when reimbursing the money paid by the Company to the employees who were provided to Geological Survey and Mines Bureau on hire basis. According to the clarifications in the detailed report sent by the Bureau, they had not paid the amount due to the fact that the field assistant was not entitled to overtime and in some cases the overtime pay and travel dates were not clear.	Actoins should be done ot recover relevant money.

1.6.2 Advances

Audit Observation -----	Comments on Management -----	Recommendation -----
An advance of Rs. 198,970 paid to three officers of the company during the period 2015-2018 and an purchase advance of Rs. 1,050,695 paid to five other officers during the period 2018-2019 had not been settled.	Reminders have been sent on several occasions to the relevant parties regarding the settlement of advances mentioned in the audit report.	Steps should be taken to settle the advance immediately.

1.7 Non-compliance with the Laws, Rules, Regulations and management Decisions

Reference to Laws, Rules, Regulations etc. -----	Non-compliance -----	Comments of the Management -----	Recommendation -----
(a) Section 40 of the National Audit Act No. 19 of 2018	No internal auditor was appointed for the Company and internal audit palnahd not been prepared for the period of 09 monthsi n the year under review.	As there was no an active internal audit division in the Company for last 02 years, an aiditpaln that requires for the execution of action paln o the entity productively had not been prepared. However, it was informed thatthe works on the preparation of audit plan is being done currently as the audit division was re-established by now, and, other activities in the audit division are being done efficiently.	Actions should be done as per provisions of the Act.
(b) Public Enterprises Circular No. PED/ 12 dated 02 June 2003			
(i) Paragraph 5.1.2	Resources available in the company, organizational structure and obkectives, goals and responsibilities to be achieved during the planned period had not	Corporate Plan 2018 had been prepared as a 5 year paln for 2019-2023 and, as there were no any land and production buildings that belong to	It should act in accordance with the Circular.

	been included clearly in the Corporate Plan prepared by the Company.	the company, it had not been included in to the corporate plan. An approved organizational structure was not there by now and the prevailing organizational structure had been referred to the relevant entities for the obtaining approval.	
(ii) Paragraph 5.2.3	The revised budget prepared by the company for the accounting period was approved by the Board of Directors on 25 January 2021.	It had been submitted for the Board approval by preparing revised budget for the period of 09 months ended as at 31 December 2020. Though that document had been approved by Board of Directors, non-interpretation of it correctly in that meeting report had been rectified by Board Meeting report on 25 January 2021.	-Do-
(iii) Paragraph 8.3.9	Two employees who were recruited to the company were attached to the Ministry of Environment from 10 September 2020 and the salaries and allowances of Rs. 283,240 were paid by the company.	The intervention of the Ministry has been identified as a major method of awareness on our services by majority of clients of the company as a company that tries to promote our services in a wider range and as a technical service provider. There was a necessity of maintaining coordination with Secretary to the Ministry for building continuous relationship with the Ministry. Accordingly, these two officers had been assigned as such to get the assistance. It would like to inform that	-Do-

the active contribution of these officers had been taken for the coordination activities of especially the Kotikambokka Quartz Mining Project, Balangoda Kalsite Project and Sand Distribution project that implemented under the recommendation of President Special Task Force. It is informed that the circular was not violated.

- (c) Paragraph 5.2 of the Public Finance Circular No. 01/2014 dated 17 February 2014
- An action plan for the year under review had not been prepared.
- An Action Plan had been prepared for the year 2020 and, it had been sent to the Ministry on 31 January 2020. -Do-

2. Financial Review

2.1 Financial Results

The operating result of the period of 09 months under review was a loss of Rs.43,290,584 and the corresponding profit as at 31 March 2020 was Rs.37,887,098. Accordingly, a decrease of Rs.81,177,682 was observed in the financial results of the period of 09 months. the decrease in income received from Manampitiya Sand Project, only incurring of cost without earning income from sand projects of Aralaganwila, Booaththa, Nidanwala and Walikanda had been mainly reasoned for this decrease.

3. Operating Review

3.1 Management Inefficiencies

<u>Audit Observation</u>	<u>Comments on Management</u>	<u>Recommendation</u>
(a) (i) A container in the project office was remained idle and, the air condition system fixed in there has been brought by some group. Though the audit has informed on this misplacement to the company	This container box had been fixed in that place for making that project activities comfortable at the inception of th second phase of Manampitiya. But, it could not be used for the second phase official requirement	An investigation should be conducted and appropriate action should be taken against the responsible officials.

on 10 September 2020, actions had not been taken to identify the responsible officers until 17 May 2021.

due to not giving permission by Department of Wildlife to get from expected place when getting access roads and issuing sand to a different method from the planned method. A letter on unavailability of an air condition machine in a container had not been received to the head office and, actions will be done by searching on matters on this.

(ii) It had been recovered Rs.1,115,576 by 11 June 2021 for the issued sand by Manampitiya Project in the years of 2017 and 2018 for the Pibidemu Sri Lanka Polonnaruwa Project that implemented in the Polonnaruwa District.

An amount of Rs.2,460,631 out of the value of Rs.3,576,208 that should be received for sand issued for the Pibidemu Polonnaruwa Programme had been received by 28 April 2021. A letter of reminder had been sent to the Polonnaruwa District Secretariat Office for the recovering of th balance amount.

Actions should be taken to recover this money expeditiously.

(b) No action had been taken to recover the sum of debtor balances of Rs.34,828,901 that exceeded the period of 6 months of debt settlement period.

It had been informed continuously by letters and verbally to recover the balance of rs.43,561,337 that should be received from other institutions including Geological Survey and Mining Bureau and exceeded 06 months and, further actions are being taken to recover relevant balances expeditiously.

Sufficient actions should be taken to recover debts.

3.2 Operational Inefficiencies

Audit Observation -----	Comments on Management -----	Recommendation -----
(a) Manampitiya Sand Project -----		
(i) The company had not introduced a fair and specific methodology for issuing sand and, 75 percent of the sand mined from the project for lorries of Polonnaruwa Mahaweli United Tipper Association, 10 percent for the other	Sand issuing methodology is being implemented by formalizing through Manampitiya Project in year 2021. 15 percent of the total sand quantity had been allocated for the sand yards of the entity and for the transportation by the entity. The balance 85 percent is being given under token	A specific methodology for issuing sand should be prepared in writing.

lorries in Polonnaruwa District, 15 percent for lorries out of the District are being issued. In addition, sand issues had been done daily based on the priority list including political requests, public and religious requests and other requests.

method. When giving sand for token method as such; 85 percent has been issued separately for all tippers to get sand by registering in the entity so as to equivalent to number of tippers and giving equal opportunities to all tippers under the 03 categories of

- 1- Registered tippers above 03 cubes for Polonnaruwa district
- 2- Registered tippers below 03 cubes for Polonnaruwa district
- 3- Registered tippers out of Polonnaruwa District

(ii) Sand mining in the II phase of Sand Mining Project had not been done in the year under review.

All the recommendations and directions related to the activation of Manampitiya Project are done by Manampitiya Follow-up Committee presided by a professor on Environmental Science and, the activation of the follow-up committee was stopped temporarily by now with the resignation of the President of that committee from that post. A request has been done to the Department of Wildlife Conservation by the Company for the appointment of a new President for that post. Actions will be taken to restart the Manampitiya second phase by following recommendations of that committee as soon as the follow-up committee becomes active by doing relevant appointment.

The follow-up committee should be appointed soon and work on the project should resume.

(iii) The police report related to the fire occurred in the project office in year 2019 had been issued on 21 August 2020. According to that report, though it was

Sri Lanka Police is being taken legal actions for the civil defense officers that were on duty at the fire occurred on 19 November 2019 and, though CCTV camera system that fixed in that place was

As the police report stated that this was a deliberate arson, the responsible officials should be

reported that this fire was not occurred unaccidentally and it has been done deliberately by putting patrol to the documents in the container boxes, actions had not been taken by identifying the responsible officers in this regard.

inactive, we have informed to the company that to refix it into normal condition as the guarantee period given to us by that company has not expired. But, this incident has occurred before reset this by them. It had been proposed to submit to police to do independent investigation as it seemed to be that it was a deliberate arson after observing the place by the set of officers in head office on the date of the fire occurred. Accordingly, a request had been done with the signature of the Chairman on that from the Sri Lanka Police and, an internal investigation had not been done.

identified and action should be taken for that.

- (c) An apprentice engineer who does not have proper experience on dam construction had been deployed for a short period by the Company for the supervision of the construction works of 03 flood safety dams that implemented parallel to the removal of sand of the project and recommendation of payments. Only work done during his tenure was recommended and, Rs.47.79 million had been paid without any work done certification during his absence to work. The engineer of the Mahaweli Authority and the Irrigation Department had not certified the payment documents that the work had been carried out in accordance with the prescribed standards when paying for these constructions.

Although a request has been made to recruit a civil engineer by Special Project Manager, recruitment could not be done as it had been informed by the Election Commissioner Office not to do recruitment within that period. But as soon as the Election Commissioner Office had given permission, civil engineer had been recruited. All the payments hereinafter had been done with his certification. When constructing side walls, the works in the upper parts should be done after completing only the works of bottom area of these walls. Our constructions had been done as per the advices of the engineers and technical officers of Department of Irrigation and Sri Lanka Mahaweli Authority. Our engineer had acted under the interventions, advices and guidance of them. However, payments had been done based on the log notes of engineers in Department of Irrigation and Sri Lanka Mahaweli Authority. A written request had been made

It should be certified that the officers of the relevant responsible institutions has worked in accordance with the prescribed standards.

from the Department of Irrigation and Sri Lanka Mahaweli Authority to certify the finishing of constructions and, it is informed that the payments will be done after receiving the work certifications of those state entities hereinafter.

3.3 Idle or Under-utilized Property , Plant and Equipment

Audit Observation -----	Comments on Management -----	Recommendation -----
Though it had been incurred Rs.966,565 in year 2019 for repairing the loader that was purchased at Rs.8,883,520 in year 2019 and has zero book value as at 31 December 2020, it had been remained in a condition of unusable by 10 June 2021.	The loader has been in a unusable condition since the end of year 2016 and, it was looked for the capability of repairing it after identifying it later. The engine was repaired as the repairer mentioned that the engine should be start to repair the rest part of that machine. Thereinafter also, it could not start. Currently the loader has been fully depreciated and though it has been request ot get the service of a state valuer from the chief valuer of Sri Lanak Valuation Department for the revaluation, the responses for that was not received so far.	Action should be taken to get the repairs done properly or, if not, take other action.

3.4 Delays in Projects or Capital Works

Audit Observation -----	Comments on Management -----	Recommendation -----
(a) During the year under review, the Mahaweli Authority suspended the release of lands until a formal assessment on the social and environmental damage caused by sand mining at the Welikanda, Aragalanwila, Boatta and Nidanwala sand projects in the Polonnaruwa District. Rs.8,213,347 had been paid uselessly to the employees who work in those projects during that period as salaries and other expenses.	Though the continuous efforts were done by discussing with relevant authorities in year 2020 for restarting the projects of Welikanda, Aragalanwila, Boatta and Nidanwala, it had not been decided until the end of year 2020 whether the projects were restarted or not. Accordingly, the company had to retain the relevant staff during the year 2020. The entity that came to decision had finished the contract period of those employees by 31 December 2020. The approval had been taken for Mahaweli Authority by completing the qualifications required to restart the above projects by the entity. Accordingly, the works of	Management needs to make quick decisions about projects.

Welikanda, Aragalanwila, Boatta and Nidanwala projects had been restarted since 01 June 2021.

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|--|---|--|
| <p>(b) Kotikambokka Quartz Project</p> | <p>Kotikambokka Quartz Mining Project</p> | <p>Steps should be taken to get the project started soon.</p> |
| <p>(i) The company had been handed over in year 2017 to mine that quartz deposit and export by adding value based on the Cabinet approval. Cabinet approval was granted to conduct a Initial Environmental Evaluation (IEE) instead of an Environmental Impact Assessment (EIA). The project had not commenced during the year under review due to the lengthy delay spent in obtaining the approval of the Department of Forest Conservation and the Department of Irrigation for the initial environmental evaluation.</p> | <p>had been handed over to the Company in year 2016 and, it could not be commenced due to not receiving the required approvals for this project from relevant public institutions. The cabinet has taken decision in the month of October 2019 to get the concurrence from Central Environmental Authority and Department of Forest Conservation for whether conducting Initial Environmental Evaluation instead of an Environmental Impact Assessment was sufficient or not.</p> | |
| <p>(ii) Although the Cabinet had again decided on 29 October 2019 to seek the first concurrence from the Central Environmental Authority and Department of Forest Conservation on whether an initial environmental observation would be sufficient instead of conducting an EIA, a decision had not been taken until the end of the year under review.</p> | <p>The approval of the Department of Forest Conservation had been given for the initial environmental report that referred for this project by that time and, letters had been sent to those public institutions in writing to make clarification on whether an initial environmental evaluation was sufficient for this as per the advices of the Cabinet.</p> | <p>Action should be taken to start the project by discussing with the relevant agencies and taking a quick decision.</p> |
| <p>(iii) No revenue has been earned from the project since 2017 and, Rs.20,942,314 during the period 2017-2020 as recurrent and capital expenditure including renting a land to store the mined quartz, purchasing</p> | <p>All the infrastructure facilities and mining permits that require to start the project by the end of year 2016 had been obtained and, the expenditures had been incurred for the delay of restart the works in comply with the Cabinet decisions on the month of March 2017, to protect</p> | <p>Actions should be taken to start the projects</p> |

of a scale to weigh the the assets obtained by year 2017 and mined quartz and to obtain the required studies and deployment of security recommendations to start the project. officers for its security.

3.5 Procurement Management

Audit Observation	Comments on Management	Recommendation
(a) Sixmicrometers worth Rs.7,539,000had been purchased without following the procurement guidelines.	There are no companies in common to find withmanufacturer authorization given for the sale of this micrimeter in the market. This machine had not been purchased by our company before and, first time procurement had been done. It could not be found the required sources to prepare correct cost estimate. However, the procurements had been done through the method of “National Competitive Bidding”. It is informed that the minimum bids that should be received within national competitive bidding under Procurement Guidelines had not been stated specifically.	Actions should be done as per Procurement Guidelines
(b) When purchasing a Japanese-made machine at a cost of Rs.12,873,960 by preparing, a cost estimate of Rs. 4,925,000 based on the information obtained from the internet for a Chinese-made geo drilling machine for the year 2018,that purchase had been stopped based on the notice of the weaknesses in the procurement by the line ministry. However, the German –made equipment had been purchased for rs.9,733,650 fro the supplier who provided the previous prices without preparing cost estimate again within the year under review. When checking the website information about this supplier, the sufficient	A incorrect cost estimate has been prepared as the preparation of cost estimate before by using internet information in the procurement process. The cost estimate was prepared by using internet as such since there are no entities with manufacturer authorization in common for the sale of this geo drilling machine in the market. However, the approval of the additional secretary in the line ministry that given the final approval for the procurements had not been given for this first procurement due to availability of issues in the procurement process. Accordingly, bids were called again and, calling bids weredone through national competitive bidding method as there are no sources to prepare cost estimate. As it should be called bids again by changing details of the bid documents that used for previous procurement at the incident where there is a rejection of any procurement as stated by the Procurement Guidelines, it	-Do-

information had not been seen and there was a difference of Rs. 4,808,650 between the original cost estimate and the purchase value.

had been done accordingly. Based on tour requirement, the entity that rationally responded to the procurement of relevant machine and fulfilled the expected criteria had been selected. The consideration of manufactured country especially had not been included in to the criteria. As all the documents that should be submitted with the bid ahs been presented by the relevant company, it was not required to refer website.

- (c) When purchasing borehole drilling machine and its equipment valued at Rs.10,512,342 that purchased in year 2020, it had not been acted in accordance with Paragraph 2.11.1 , 4.3.1. and 3.2.2 of Procurement Guidelines date on 25 January 2006.
- The officers in the engineering/ Geo Science Division has been appointed for Technical Evaluation Committee in the Company. Their retention within the office is limited as per the emergency requirements of the service for the various projects. Accordingly, it is kindly informed that the meeings could not been held as per procurement timeline in accordance with the Section 2.11.1 of Procurement Guidelines. As for the matters mentioned in 2.2.4 (a) and (b) above, it si further informed that it was difficult to find sources required to prepare cost aestimate as per Section 4.3.1 in Procurement Guidelines. It is informed that the company has published an advertisement on a national newspaper in addition to that the advertisement has even been published in the company’s website at the procurement process of purchasing borehole machine and its equipment,
- Do-

3.6 Human Resources Management

Audit Observation -----	Comments on Management -----	Recommendation -----
(a) There was no an aapproved cadre for the Company even by 11 June 2021 and, 29 had been deployed for the project office and worksite.	It had been decided the required number of employees and posts for each function by doing work study on the functionality of the Manampitiya Project by the Company. Accordingly, 34 employees have been deployed for the service of the project. A job description had been given related ot the assigned work for	Approved cadre should be made.

each employee. The service period of 05 employees that finished the service assignments on 2020.12.31 who worked for the Manampitiya Project on assignment basis had been terminated from 01 January 2021.

- (b) (i) The approval of the Department of Management Services had been requested for approving the cadre with total posts of 224 by proposing 69 other posts in addition to 175 employees who were already working in the company in year 2018. Though the Department of Management Services had informed that the further matters would be done by looking for the legal capacity of approving company's cadre as this company was registered under the Companies Act by a letter dated on 06 September 2019, the specified decision had not been given to the Company even by 11 June 2021.
- It was discussed with the Department of Management Services as shown from the audit query issued by National Audit Office and, it was informed by the Department of Management Services that they have to search on the legal capacity for that. The service of well knowledgeable advisor had been taken as per the advices given there. It was identified that a cadre with 224 employees would be required for those works by estimating the current performance and future business opportunities of the company at the discussion held with that advisor and managers. As the total process of the Department of Management Services in this regard has not been completed and as an alternative for issue of making these employees permanent, it has been reduced upto a plan with the minimum cadre of 62 that required to maintain current business activities without discontinuing. A cabinet paper has been submitted to the Ministry of Environment by now to get the approval for that cadre.
- Actions should be taken to approve the cadre.
- (ii) In contrary to the Section 8.3.9 of Public Enterprises Circular No. PED/12 dated on 02 June 2003, a person recruited for the post of internal audit assistant of the Company had been released to the minister's office in line ministry since 10 September 2020 and paid Rs.148,040 as
- As the internal audit assistant who works in the internal audit division that was in a Management assistant level, the relevant audit assistant could not be assigned duties directly as there was no an internal auditor. The audit assistant had been temporarily assigned to Ministry of Environment for following-up the project works of our company with the ministry, for media works and for the wellbeing of the company.
- As the only officer who is having proper knowledge and experience on audit
- Actions should be taken in accordance with circulars.

salaries by the matters of the company was the formr Company. The assistant accountant, it had been Assistant Accountant appointed as internal audit officer for of the company had audit works arisen at the present. been appointed as internal audit officer since 02 December 2020 without proper scheme. The post of assistant accountant that was vacant had not been filled by 11 June 2021.

- (iii) When giving marks of the interview held to recruit for the accountnat post of the company, it had been recruited for this post by conducting interview improperly due to giving marks by a member who did not participate for the interview, signing the final mark sheet without giving marks for evaluation sheet by a member who participated for the interview, putting marks in pencil and later doing in pen and, marks have been changed.
- Ms. Rani Gunaratne, Human Resource Advisor, that nominated for the interview board had an emergency official matter on that day and, the Human Resource Manager had represented instead of her. The marks had been put with the agreement of all the members of the interview board and, the marks have been given to the candidate that selected as accountant based on her experience and qualifications. As, a pen and a pencil had been used for mark sheets as shown by the audit, though an unformality hwas observed by the audit, above interview had been held in fair and transparent. All the interviews will be held by the company properly by avoiding deficiencies.
- Actions should be done properly as per rules and regulations.