



**Gem and Jewellery Research
and
Training Institute**

Annual Report

2013

Gem and Jewellery Research and Training Institute
No.382, New Kandy Rd,
Malabe.
29.12.2014

Hon. Minister of Environment and Renewable Energy
Ministry of Environment and Renewable Energy
Sampathpaya,
No. 82,
Rajamalwatta Road,
Battaramulla.

Dear Sir

Annual Report – 2013

In terms of sub section 14 (2) of the Finance Act No.38 of 1971, I submit the following documents.

1. The Administration Report of the Gem and Jewellery Research and Training Institute for the year 2013
2. Income and Expenditure Statement for the year ended 31st December 2013, Balance sheet as at 31st December 2013 and Cash Flow Statement for the year ended 31st December 2013
3. Report of the Auditor General for the year 2013

Yours Faithfully,



T.M Sirisoma
Chairman
Gem and Jewellery Research and Training Institute

VISION MISSION & GOALS



VISION

" To the Regional Center of Excellence in Research and Training in the Gem and Jewellery Industry while facilitating the Growth and Development of the Industry in Sri Lanka "

MISSION

" To enhance the Competitive capability of Sri Lanka Gem & Jewellery Industry by providing high Quality Research & Training Services leading to Exploration of Gem Deposits, Technological Innovation, Skill and Competency Development and Quality Improvement for the satisfaction of our Stakeholders "

GOALS

" Harness the Gem Resource of Sri Lanka through sustainable methodologies, introduce innovative methods, and train new set of tradesmen for the industry to up life the country's economy "

2. Brief profile of the Directors and Senior Management

2.1 The profile of the Board of Directors, of the Institute during the year 2013 was as follows.

01	Mr. T.M Sirisoma (Chairman)	Chairman of the Board of Directors since 17.04.2013 to 16.12.2014
02	Mr. Senerath Jayasundara	Board Member since 30.04.2013 to 16.12.2014 (Chairman-Geological Survey and Mines Bureau)
03	Mr. Janaka Udaya Kumara	Board Member since 30.04.2013 to 23.06.2014 (Director General-Gem and jewellery Authority)
04	Mr. A.D.A.K Nandasena	Board Member since 30.04.2013 to 30.12.2013 (Treasury Representative)

2.2 Senior Management

Tilak Dharmaratne - Director General of the Institute
(B.Sc, M.Sc in Gemmology (SL), M.Sc (UK) (01.08.2000 – to date)

3. Review by the Chairman outlining the Opportunities and Constraints faced in the year under review.

3.1 Opportunities

• **Increase in the demand for Research and Training.**

The demand for the services of the institution is being increased. The cause for this increment is the high demand for the skilled labour of this field. Another reason to increase this demand is the steps which have been taken to upgrade the quality of the service provided by the Institute of Gem & Jewellery. There is no any other institution which provide training services relevant to all the aspects of this field. In the same way there is no any service provider fulfilling the research necessities of rapidly developed North East areas.

• **Unfulfilled needs.**

We can still see the Unfulfilled needs which have been failed to completed by the service providers in this field. These include Gem ore exploration, recognizing primary gem deposits, innovating and processing a technology to extract primary gem deposits and training for designing and computer aided designing.

• **Technological advancements**

There is an opportunity to invent and introduce new machines to excavate of gem deposits and enhance the colour of gems.

• **Growth of the Institute.**

There is a necessity to develop this institute as to Gem and Jewelry University of Asia Pacific region to provide service to the customers from around the world.

• **Other Facilities.**

This is a pioneer institute for providing service for this field by establishing Geuda Heat Treatment Centers in the other localities and facilitating to carry out researches.

• **Joint Programms for industry Development**

There are opportunities to work co-operation with various development projects of other government institutions such as National Gem and Jewellery Authority and lead in to eco friendly methods for gem industry with environmental authorities.

- **Publicity.**

The programs should be launched to enlighten the public on the service provided by the institution. Awareness programmes, papers and leaflets, audio visual presentations on gem & jewellery can be used.

3.2. Constraints

- **Infrastructure facilities**

The machines equipments and modern facilities have not been developed sufficiently in the training centers. The steps should be taken to develop the knowledge and skills necessary for the development of the industry through providing such instruments to these training centers. Outsmart machines should be introduced for gem lapidary, gem cutting unit and jewellery manufacture training center. Furthermore a unit to determine the standard of metals should be established and associated courses should be introduced. As diamond cutting is a special part of this industry a training unit should be introduced and steps should be taken for the betterment of that industry.

- **Physical Resources.**

A lack of necessary vehicles and equipments to carry out the works of the researches and training section of the institute can be seen.

- **Laborer mentality of the workers / poor attitudes**

Since recent past the employees are bearing negative attitudes.

- **Duplication of work by sister organizations**

e.g. Our trainings, Lapidary service etc.

- **Human Resources.**

The necessary requirement as in the recruitment procedure of the institute have been fulfilled to fill carder vacancies according to the Department of Management's circular number 30.

It is a known fact that the number of academic staff members in the institute is not sufficient to meet the existing demand for educational programmes in the industry. This matter of staff has born with the backgrounds on unavailability of relevant training programmes locally, lack of academically sound personnel in the field are some highlighted reasons. The end result of the situation is not beneficial for the future of the industry, and will be a cause to reduce the demand for trainings. Therefore, the staff of the institute are required to be given training programmes offered by locally as well as internationally available institutions.

Institute has been facing many administrative difficulties since the times its head office had been established in Ratnapura. As such, necessary actions were taken to bring and establish Head office of the institute in Colombo for effectiveness in operations avoiding the existed administrative problems.

- **Financial Resources**

Sufficient fund contribution to carry out the works of the institute in a spreaded level is not granted by the treasury. The financial provisions needed to recruit the essential staff have not been granted by the treasury.

- **Emerging private sector training institutes.**

The interference of private sector for education and training of gem and jewellery industry has been developed.

- **Lack of incentives to certain sections of the industry.**

e.g. Service cutting section

- **Lack of geologist & training experts.**

- **Lack of training opportunities for researchers and trainers for advance training and the staff gap between the Director General, Research Staff, Training staff and other supportive staff**

4. Directors Report

4.1 Objective

The Gem and Jewellery Research and Training Institute was established by the gazette notification No 882 of 28 July 1995 in terms of section 25 (1) of the National Gem and Jewellery authority Act No 50 of 1993 enacted for the purpose of the development of Gem and Jewellery industry.

Major objective of the institute is the regulation, improvements and development of the Gem and Jewellery industry by providing the necessary training and research facilities.

4.2 Powers of the Institute

Powers of the institute assigned thereto by the gazette notification No. 882 of 28 July 1995 are as follows.

- (i). To conduct surveys regarding gem minerals and gem deposits in Sri Lanka and to carry out research relating to the followings.
 - i. The location of Gem Deposits
 - ii. Their Identification
 - iii. Methods of enhancing the value of gem stones.
 - iv. Matters related to other fields concerning the institute.

- (ii). To provide technical and other advices regarding the digging of gem pits, Lapidary, Manufacture of Jewellery and methods of treatment of gem stones for the developing of the Gem and Jewellery industry including the production of machinery required for the industry.

- (iii) To provide training facilities in the following fields.
 - i. Gem Cutting, Polishing and Identification
 - ii. Jewellery Manufacturing
 - iii. Gemmology including Diamond
 - iv. Jewellery Designing
 - v. Colour Enhancement of Gem Stones by Heat Treatment.
 - vi. Other matters relating to the Gem & Jewellery industry.

4.3 Activities and Efficiency

4.3.1

Measures that are crucial for prompting the gem and jewellery training activities in the country were effectively implemented. Accordingly, it was possible to maintain an increment in youth attraction to follow gem and jewellery courses introduced by the institute.

4.4 Progress of the Training Division Year 2013

During the Period, the institute were able to conduct many training programmes demand by the industry. The training courses designed to offer for our students are consisted with up dated lesions on new technology and Superior craftsman skills. These Scientifically trained craftsmen from our institute will gain ability to engage in the industry competitively.

1. Students Enrolment progress for the Training Courses.

Gem Field

Gemmology	38
Geuda Heat Treatment	105
Gem Cutting & Polishing	81
Colour Grading & marketing	142

Jewellery Field

Jewellery Designing	46
Jewellery Manufacturing	46

Grand Total 458

2. Students pass out progress for the Training Courses.

Gem Field

Gemmology	43
Geuda Heat Treatment	64
Gem Cutting & Polishing	76
Colour Grading & marketing	118

Jewellery Field

Jewellery Designing	44
Jewellery Manufacturing	40
Costume Jewellery Making	21
Stone Setting	09

Grand Total 415



3. During this period Six training centres established at Ratnapura, Colombo , Galle, Kandy, Buttala, Bingiriya were conducted training courses to address skills and technology needs demanded by the regionally operated gem & Jewellery production plants. Also the institute is in the process establishing few new centres in order to training activities to the other Ampara, Batticaloa ,Trincomalee , expand areas of the country.



4. Training Programmes offered by the institute are continuously updated to add timely needed skills and technology applications and also developed its curriculums as per the standard of the National Vocational Qualification (NVQ). Frame work introduced by Tartary and Vocational Education Commission (TVEC). Diploma in Jewellery Design and Manufacturing Technology course was accredited to NVQ 5/6 Level to offer our students with Diploma course and Gem Cutting & Polishing course is now developing for the NVQ Level 4 Certificate.
5. The Institute had participated no of major exhibition/ workshop organized by various leading institutions. These were able to bring our institutional functions very effectively to the general Public attracting more stake holders to this institute.



6. The Training workshops of the institute had been added with equipments of technologies. The Gem testing Laboratory is one of major introduced such equipments.
7. Many propaganda programmes were launched targeting Youth crops and other Organization.
8. In addition to above explained achievements, it was able to complete many interim works carried out by the institute. Some of these were developing curriculums, acquiring new instruments; designing new training programmes for product diversification are major in consideration.

4.5 Human Resource Development

Name	Designation	Workshop	Institute
Miss. W.G.J.Senevirathne	Management Assistant	Office Management & Office Procedures	Skill Development Fund Ltd
Mr. Ashoka Rajarathne			
Mrs. Nayana Lakshika			
Miss.Ruzaina Razeen			
Mrs. Nilmini Priyajika			
Mrs. W.V.N. Nivanthi			
Mrs. U.A.D.D. Rupasinghe			
Mr.K.D.R. Sisirkumara	Management Assistant	Introduction to Employee Social security System in Sri Lanka	National Institute of Labour Studies
Mr. D.T. Jayasekara		Occuphchional Safely & Health and Safely towards Enhancing Labour Productivity	
Mrs. W.V.N. Nivanthi		Provison in the Shop & Office / Act	
Mrs. H.A.N. Priyadarshani	Internal Auditor	Awareness Programme On sri Lanka Public Sector Accounting Standards	Assosiation of Public Finance Accounts of Sri Lanka
Mrs. U.A.D.D. Rupasinghe	Management Assistant		
Miss. W.G.J.Senevirathne			
Mrs. Nayana Lakshika			
Miss. W.G.J.Senevirathne	Management Assistant	Diploma in English	Sabaragamuwa University of Sri Lanka
Mr. D.T. Jayasekara	Management Assistant	Transport Management	Ministry of Construction, Engineering Services, Housing & Common Amenities
Mr. Ashoka Rajarathne			
Mrs. U.A.D.D. Rupasinghe	Management Assistant	Workshop on Accounts & Audit Staff (English Medium)	National Institute of Business Management
Mr. R.M.N.P.K. Jayasinghe	Research Officer	Practical Aspect Of Bids Evaluation	Skill Development Fund Ltd
Mr. B.G.R.W. Gamlath	Assistant Director (Gemmolgy)		

4.6 Performance of Research Programmes and Projects-2013

Project 01: Exploration and Assessment of Gem Deposits in Sri Lanka (EAGSDL)

Every year gems bring about 80% of the total mineral-based foreign income of Sri Lanka. Recent scientific investigations have revealed that about 50% of the total landmass of Sri Lanka is gem bearing sources. But, identification of gem deposits and their potentiality, capability of mining in sustainable manner with minimum impact to the social and natural environment are key issues in the gem industry.

To address these issues of the gem industry in Sri Lanka, according to the “**Mahinda Chinthana Vision for a New Sri Lanka**” GJRTI proposed an Island wide systematic gem exploration programme to identify gem deposits, evaluate potentiality and inventories all gem deposit in Sri Lanka for sustainable exploitation. The main aim of this project is to make available of gemmological maps covering Sri Lanka which will be benefited to all stake holders of gem and jewellery industry in the country for sustainable development. A comprehensive proposal was submitted to the Cabinet in year 2008 and the necessary approvals and funds have been obtained for the project. The project was commenced in 2010 and it is being progressed in Monaragala District in Uva Province accordingly (Figure 01).

During the reporting period of this project, field investigations, Laboratory investigations, GIS and Remote Sensing works, Data interpretation and estimation, Verification of data and preparation of gem potential map were carried out (Figure 02). Final gem potential map (Draft) of Buttala Divisional Secretary area has been completed (Figure 03) and Preliminary Gem potential map for Badalkumbura Divisional Secretariat Area is drafted. In addition to that a filed survey in Monaragala Divisional Secretariat was initiated.



Figure 01: Study Area

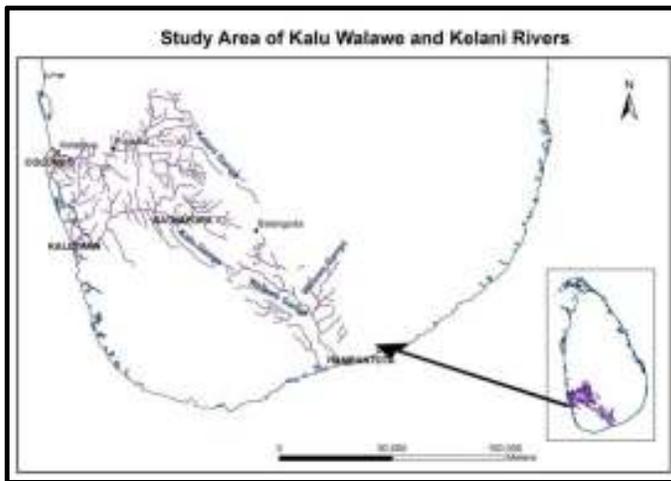


Figure Figure 02: Research Team at the field

Project 02: Exploration and Assessment Gold Occurrences in Sri Lanka

The history of gold mining in Sri Lanka can be dated back to more than 2000 years. But only some very small scale manual mining of gold takes place mostly along with gem mining at present using traditional methods. Therefore updating the gold location inventories and exploration of new gold bearing areas using appropriate scientific tools is very necessary at the present. Exploration and exploitation of these deposits will hasten the economic development of the country for the future, it will save much needed foreign exchange in the country, and it will also create new employments. Kalu, Walawe and Kelani river basins were selected for the study since they are famous for gold in community.(Figure 04.)

Figure 04. The Study River Basins



Field investigation, Laboratory investigations has been carried out (Figure 05).



Figure 05. Field studies and sample collection in river alluviums ((a)-Kalu river, (b)- Walawe river, (c) – Kelani river)

The gold abundance, concentration and the depth to the gold bearing layer were not homogenous throughout the alluviums of the rivers. Fluvial system, geomorphology and other spatial factors have significantly contributed for the formation of gold bearing deposits in the river alluviums. In addition to that, correlation of geology and structural features of the area with abundance of gold in river alluvium and the physical features of gold grains showed that they have been derived from surrounding rocks. Finally, it was concluded that the gold occurrences in Kalu, Walawe and Kelani river alluviums are not economically valuable deposits.

Project 03: Eco friendly Gem Mining Techniques for Sustainable Development

Gem mining and associated activities inevitably give rise to substantial environmental and social impacts. Management of these impacts in a responsible manner is a big challenge to the industry. Gem mining industry on the other hand, has been trying to contribute in a responsible way while adopting eco friendly practices besides meeting the challenge of societal development.

This project aims to introduce environmental friendly gem mining techniques according to the environmental sensitivity of the area such as natural hazards, climate, geomorphology, soil etc as per “**Mahinda Chinthana Vision for the Future**”. Implementation of the project is arranged as study all available information on present mining methods and rules and regulations etc, Study about the present mining methods and their processes and investigation of different eco friendly mining methods for different geological and geomorphological settings, and weathering conditions.

The available information on present mining methods and rules and regulations was studied. (Figure 06) Field visits were carried out to monitor the present mining activities and changes of surrounding environmental conditions.



Figure 06: Observing the present mining activities

04. Publications

Two abstracts were published in 29th technical sessions of Geological Society of Sri Lanka (GSSL) on 22nd Feb. 2013

- ❖ Evaluation of Gem Mineral Bearing Deposits in Upper Part of Kirindi Oya, Wellwaya.
- ❖ An Assessment of Economic Heavy Minerals Associated with Gem-bearing Gravel Layers in Kiriella Division.

5. Audited Financial Statement

Proceedings in 29th Technical Sessions of Geological Society of Sri Lanka, 2013, 56-58
Published Online: 22nd February 2013 (http://www.gsssl.org.lk)

Evaluation of Gem Mineral Bearing Deposits in Upper Part of Kirindi Oya, Wellwaya

E.L.N. Thilakaratne¹, R. M. N. P. K. Jayasinghe^{2*}, T. S. Dharmaratne³,
H. M. R. Premaratne⁴

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(2) Gem and Jewellery Research and Training Institute, Wellawaya, Wellawaya.
(3) Department of Earth Resources Engineering, University of Moratuwa, Katubeddi.
(4) Email: natishilak@hmail.com

1. Introduction

Sri Lanka has a very long history for gem industry and it was earlier called as *Karukus Ganga* due to its popularity for gems. There are five major gem prospecting areas in the country where the best quality 75 carat and sub varieties of gemstones can be found (Dissanayake and Rajasinghe, 1993). These gem varieties can be categorized as precious, semiprecious and rare varieties.

90% of the Sri Lankan rocks are high grade metamorphic type and that larger percentage of metamorphic rocks is attributed to many of the gem deposits (Dissanayake and Rajasinghe, 1993). Although there is a higher density of gem deposits compared to its landmass, only very few areas are still being mined. Further, gem potential maps or prospective basins has not been prepared in the country with proper scientific background.

Thus this research focuses to evaluate gem mineral potential of sediment deposits in the study area with the view of delineating spatial pattern of gem potential in upper part of Kirindi Oya. The study area (Figure 1) falls in the domain of Wellawaya Divisional Secretariat and belongs to Badulla, Dikumbura and Monaragala gems field, which is one of the major gem prospecting areas in Sri Lanka.

Proceedings in 29th Technical Sessions of Geological Society of Sri Lanka, 2013, 60-71
Published Online: 22nd February 2013 (http://www.gsssl.org.lk)

An Assessment of Economic Heavy Minerals Associated with Gem-bearing Gravel Layers in Kiriella Division

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(1) Faculty of Science and Technology, Uva Wellassa University, Passara Road, Badulla.
(2) Gem and Jewellery Research and Training Institute, Wellawaya, Wellawaya.
(3) Email: natishilak@hmail.com

1. Introduction

Approximately 25% of total land area (83,845 km²) of Sri Lanka is estimated as potentially gem bearing. The primary and secondary gem deposits can be categorized under three major types as Sedimentary, Metamorphic and Magmatic (Dissanayake, et al., 1993). Over 90% of Sri Lanka's gem mining is practiced as secondary (placer deposits) and that can be classified as sedimentary gem deposits of residual, alluvial and euvial types. They have been formed by the weathering and erosion of pre-existing rocks and transportation and deposition in a sinkholes (Malangala - Kallangara area) in Sri Lanka. These gem-bearing sediments are one of the major concentrations for economically important heavy elements and metals and rare minerals that can be used for many industrial purposes (Dissanayake 1993, Dissanayake and Rajasinghe 1993). However, detailed investigations and economical valuation of the heavy minerals present in these sediments have not been done yet.

Wash Ore ("Girru" in Sinhala), which is panned through the panning bucket and eventually filling into the panning jar during the washing of gem bearing gravels, is used as a refining material and as an alternative source for river sand for constructions. Since the finer fraction

of gem bearing sediments contains high amount of heavy and rare minerals, it is the best source for assessment of associated economic heavy minerals. Identifying or separating those valuable minerals has never been attempted. This research was conducted to evaluate the potential of wash ore as a good source for extracting economic heavy elements for industrial purposes.

Kiriella Divisional Secretariat represents the best and well-known major gem potential areas in the alluvial plains of Kulu Ganga. Due to the geomorphology and high drainage density in this area, the transportation of eroded rocks and minerals can be easily accumulated in the river catchment as embankments. Therefore, the stream sediments from Kulu Ganga and its tributaries, and the gem bearing sediments from gem deposits were selected to study the types of economical heavy minerals associated with them.

2. Location and Accessibility

Kiriella Divisional Secretariat was 1965 in the Ratnapura District and it is accessible by the Panadura - Ratnapura, All major Road 3, covering an area of 76.14 km². The topographic average elevation is 340 meters above mean sea level. Average latitude is 8° 47' 00"N and average longitude is 80° 18' 00"E. Hills remain situated up to 307 m height. Steep valley area is also prominent. Major river Kulu Ganga flows from

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Financial Information for last 05 years

	2009	2010	2011	2012	2013
Operating Revenue					
Treasury Grants	25,321	25,885	27,420	29,629	32,113
Other Contributions	5,330	8,322	12,500	13,853	13,020
Course Fees	2,614	2,397	3,256	5,228	3,949
Income From Services	22	24	25	30	15
Income From Geological Services	-	-	-	-	-
Total Operating Revenue	33,286	36,628	43,201	48,740	49,097
Other Revenue			44	223	38
Interest	69	159	166	310	406
Other Income	194	164	205	140	54
Total Revenue	33,550	36,952	43,616	49,412	49,595
Less: Expenses					
(a) Personnel and Administration	26,504	28,629	30,328	35,403	37,260
(b) Depreciation and General	6,402	9,102	12,905	14,216	13,452
Total Expenses	32,906	37,732	43,233	49,619	50,712
Surplus/(Deficit)					
	644	(779)	383	(207)	(1117)

**GEM AND JEWELLERY RESEARCH AND
TRAINING INSTITUTE
STATEMENT OF FINANCIAL POSITION AS AT 31ST DEC 2013**

Description	2013		2012	
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
ASSETS				
Non Current Assets				
Property, Plant & Equipment	27,696		23,501	
Contribution (LT)	1770		2240	
Gratuity Fund		29,465		25,741
Differed Expenditure				
Partitioning & Modification				
Current Assets				
Stock & Consumables	1256		1268	
Less: Provision for Write Off	(648)		(648)	
	608		620	
Books for Sale	67		105	
Investment (ST)				
Loan and Advances	707		772	
Deposits (Gratuity)	3355		2024	
Deposits	675		905	
Trade & Other receivables	40		43	
Prepayments	110		285	
Bank & Cash Equivalents	14708	20272	3531	8285
Total Assets		49,737		34,026
Payable	257		227	
Accrued Expenses	3327		3281	
Differed Income -OPS Income (b)				
Creditors	119		119	
PAYE Tax	14		19	
	0.67	3718		3647
Non- Current Liabilities				
Control Account - NGJA	3179		3179	
Grants-Other Institutions	232		440	
Provisions for Gratuity	9385		8973	
Staff Security Deposit	10	12806	10	12602
		16,523		16,249
Net Assets/Equity		33,214		17,777
Contributed Capital		50000		50000
Reserves		3000		3000
Other Contribution		850		850
Staff Circulating Fund (Loan)		819		797
Differed Income –Capital Grants (a)		42500		25970
Accumulated Fund		(63956)		(62840)
Total Net Assets/Equity		33,214		17,777

GEM AND JEWELLERY RESEARCH AND TRAINING INSTITUTE
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31ST DECEMBER – 2013

	2013(Rs.'000)		2012 (Rs.'000)	
Operating Income				
Recurrent Grants - Treasury		32113.2		29628.5
Other Income				
Income from Training Courses		3,948.8		5227.9
Geuda Heat Treatment Service Charges		15		30
Geological Research services				
Interest Income		406.9		309.7
Sundry Income		53.7		140.5
Total Income		36,537.5		35,336.6
Less: Operating Expenses				
Personnel Emoluments		20998.8		21773.4
Traveling		403.3		447.2
Supplies and Consumable used		1,291.6		1820.3
Maintenance		1,978.6		1335.7
Contractual Services		11603.3		7974.5
Training Programme Expenses		782.7		1308.6
Other Operating Expenses		182.2		719.8
Total Operating Expenses		37240.6		35379.5
Surplus / (Deficit) From Operating Activities		(703.1)		(42.8)
Less: Finance Cost		(19.5)		(23.4)
Grants- Capital Expenditure Portion	6,567.8		6356.1	
Other Receipts	6,567.8		6,356.1	
Less: Depreciation and Amortization Expenses	(7000.7)	(432.9)	(6720.5)	(364.4)
	6,452.1		7,496.6	
Other Capital Investment Grants				
Less: Capital Investment Expenditure	(5299.8)		(6155.2)	
Improvements of Capital Assets	(1152.3)		(1341.5)	
NET Expenditure on Other Capital Investment				
Total Non Operating Revenue		(452.4)		(387.7)
Add: Gain on Sales of Assets		38.3		223.2
Net Surplus (Deficit) Before Extra Ordinary Items				
Extra Ordinary Items		(1117.2)		(207.4)
Net Surplus / (deficit) for the period		(1117.2)		(207.4)
Add:				
Net Surplus / (Deficit) from previous years	(62,840.0)		(62,632.6)	
Less: Prior year Adj.		1.4		
Net Surplus / (Deficit) C/F		(63,955.8)		(62,840.0)

Gem and Jewellery Research and Training Institute
Statement of Cash Flow for the year ended 31 December 2013

Rs('000)

	2013	2012
Cash flow form operating activities		
Surplus/Deficit from ordinary activities	(1,155.5)	(431)
Non cash movements		
Depreciation	7,007.7	6,721
Differed Capital Potion	(13,020.2)	(13,853)
Increase in Payables	(604)	(133)
Increase in other non-current liabilities	(208.2)	278
Increase in provisions relating to employee costs	411.5	1,331
Increase in other current assets	808	(304)
Prior year adjustment		
Other capital nature expenses	(6,452.1)	7497
Net cash flows from operating activities (a)	(315.7)	1,106
Cash flows from investigation activities		
Purchase of plant and equipment	(11,195.5)	(3305)
Increase of Gratuity Fund	(470)	(1204)
Proceeds from sale of investment	(6452.1)	(7497)
Increase of contribution reserves	22	25
Disposal of assists	38.3	223
Net cash flows from investing activities	(18,057.3)	(11,758)
Cash flow from financing activities		
Capital Grants	29,550.0	11,457
Special Levy to government		
Net cash flow from financing activities	29,550.0	11,457
Net Increase /decrease in cash and cash equivalents a+b+c	11,177.0	805
Cash and cash equivalents at beginning of period	3,531.0	2,726
Cash and cash equivalents at end of period	14,708.0	3,531



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல. }
My No. }

TM2/J/GJRTI/1/13/3

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

16 October 2014

The Chairman,
Gem and Jewellery Research and Training Institute

Report of the Auditor General on the Financial Statements of the Gem and Jewellery Research and Training Institute for the year ended 31 December 2013 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Gem and Jewellery Research and Training Institute for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statements of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under any direction in pursuance of provisions in Articles 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 32(3) of the National Gem and Jewellery Authority Act, No. 50 of 1993. My comments and observations which I consider should be published with the Annual Report of the Institute 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 issued to the Chairman of the Institute on 18 June 2014.

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 Standard 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 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 judgment, including the assessment of the 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 Institute's preparation and fair presentation of the financial statements 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 Institute'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 the 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 adverse audit opinion.

1.4 Basis for Adverse Opinion

Had the matters described in paragraph 2.2 of this report been adjusted, many elements in the accompanying financial statements would have been materially affected.

2. Financial Statements

2.1 Adverse Opinion

In my opinion, because of the significance of the matters described in paragraph 2.2 of this report the financial statements do not give a true and fair view of the financial position of the Gem and Jewellery Research and Training Institute as at 31 December 2013 and its financial performance and its 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 Sri Lanka Public Sector Accounting Standards

The following observations are made.

- (a) In terms of Public Sector Accounting Standard 07 the fair value of fixed assets amounting to Rs.12,107,898 which had been purchased in the previous years the book value of which had become zero had not been taken to the books.
- (b) In terms of Sri Lanka Public Sector Accounting Standard 08 the required adjustments or disclosures in respect of possible contingent liabilities which may arise as a result of Court cases filed against the Institute had not been made.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A stock of gem valued at Rs.399,000 had been brought to accounts as a stock of consumables under current assets. without being accounted under fixed assets.
- (b) Even though the balance of the Gratuity Fund Deposit Account relating to the year under review amounted to Rs.1,604,602, deposits and the interest thereon for the 2 months of the ensuing year amounting to Rs.164,982 had been added to that balance and as such the balance of that account had been overstated by Rs.164,982 in the financial statements.
- (c) Even though three motor vehicles valued at Rs.21,200,000 given to the Institute by the Treasury as a grant had been registered in the name of the Institute those had not been brought to accounts as fixed assets.



2.2.3 Lack of Evidence for Audit

The following items in the financial statements could not be satisfactorily vouched or accepted in audit due to the unavailability of the evidence indicated against them.

Item	Value	Evidence not made available
	Rs.	
(a) External Instructors Allowances	460,232	Register of Attendance for arrival for duty and the Register of Attendance of the Students.
(b) Consumables Stock	1,256,264	Stock Registers
(c) Consumables Stock written off	648,000	Stock Registers
(d) Payment of Building Rent	900,000	Rent Agreements

2.3 Non – compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non – compliance were observed.

Reference to Laws, Rules and Regulations

Non – compliance

(a) Section 25(6) of the National Gem and Jewellery Act, No. 50 of 1993

Even though a representative of a University or a research institution which actively engages in activities related to gem industry should be appointed to the Board of Directors, action had not been taken accordingly.

(b) Public Enterprises Circular No. PED/12 of 02 June 2003

(i) Section 4.2.2

Even though the Governing Body of the Institute should hold monthly meetings in Order to evaluate how the Institute had achieved its objectives in the Action Plan, only 6 meetings had been held for the year under review.



3.2 Profitability

According to the information included in the financial statements presented, particulars of financial results for the year under review and the previous 4 years are given below.

	2013	2012	2011	2010	2009
	Rs.	Rs.	Rs.	Rs.	Rs.
Income :-					
Government Grants	45,133,065	43,481,200	39,919,040	34,207,079	30,650,891
Income of the Institute	4,462,639	5,931,354	3,696,415	2,745,498	2,898,980
	49,595,704	49,412,554	43,615,455	36,952,577	33,549,871
Expenditure	50,712,933	49,619,946	43,232,376	37,731,537	32,905,323
Surplus /(Deficit)	(1,117,229)	(207,392)	383,079	(778,960)	644,548

The following observations are made.

- Financial results of the year under review as compared with the year 2009 had deteriorated by 273 per cent within the period of 4 years.
- Although a sum of Rs.45.1 million had been received as the Government contribution for the expenditure of the year under review, the total expenditure of the year amounted to Rs.50.7 million. Accordingly, 89 per cent of the overall expenditure of the Institute had been covered by Government grants.

3.3 Legal Cases initiated against the Institute

An employee of the Institute whose service was suspended due to not reported for duty without prior notice had Filed a case against the Institute in the Labour Tribunal



4. Operating Review

4.1 Performance

The following observations are made

- (a) Even though the Treasury had granted approval to implement the gem deposit exploration and assessment project during the period of 4 years from 2008 to 2011, the project had not been completed within that period and the project period had also not been extended. According to the project proposal exploration in 2 provinces should be completed per year. However Buttala and Wellawaya Divisional Secretariats Divisions in Monaragala District only had been covered during the period from 2007 to the year under review and 37 per cent of the annual provisions had been spent thereon.
- (b) Although the methods of excavating by using environment friendly gem mining technology had been identified by carrying out field inspections during March to July in the year under review, action had not been taken to make aware of the related parties about this method.
- (c) Development / Improvement of Training Activities
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- (i) According to the Action plan of the Institute, it was planned to conduct 06 training programs during the year under review and to open a new training center in the Northern and Eastern Provinces but those have not been implemented, Similarly, a sum of Rs.5.2 million estimated to be spent on human resources development had not been spent for the intended purpose.
- (ii) Although 24 and 9 students had registered for the manufacture of fashion jewellery and fixing stones for jewellery respectively in the preceding year no students whatsoever had been registered in the year under review.
- (iii) Although the registered students for the courses commenced and completed in the year under review itself had been 324, only 231 students had successfully completed the courses and that represented about 71 per cent of the registered students.

4.2 Management Inefficiencies

The following observations are made

- (a) A Senior Manager who had committed a fraud of gold and silver valued at Rs.2,395,749 had been removed from service without recovering the sum of Rs.1,495,745 recoverable in connection with that fraud and the outstanding motor vehicle loan granted to him amounting to Rs.56,250 and the interest thereon.
- (b) An agreement had been entered into with the Sri Lanka Institute of Development Administration on 12 June 2012 for Rs.634,000 for the preparation of an Establishments Code for the Institute. Accordingly it had been stated that it should be completed within 3 months and liquidated damages of Rs.500 per day should be recovered for delays. Even though 50 per cent advance of Rs.317,000 had been paid on 31 May 2012 before entering into the agreement the Institute had failed to get it done even by June 2014.

4.3 Idle and Underutilized Assets

The following observations are made.

- (a) The high technical electric oven purchased on 04 July 2013 for Rs.10,977,344 had not been utilized even by June 2014.
- (b) A set of loudspeakers purchased at Rs.104,000 to play the daily National Anthem and to cover the important meetings had not been utilized even by June 2014.
- (c) An earth drilling machine had been purchased in the year 2007 at a cost of Rs.12,309,013 and a sum of Rs.15,270 had been spent in the year under review for servicing the machine and a sum of Rs.564,888 had been spent from 2007 to 2013 for the insurance cover. However, this machine had not been utilized during the year under review and action had not been taken to operate the machine in full capacity even in the previous years.



4.4 Transactions of Contentious Nature

The following observations are made.

- (a) The minimum monthly bid for Rs.600,000 in renting a building for the Head Office had been subsequently changed to Rs.700,000. However, the Institute had negotiated the reduction of the second bid of Rs.727,488 per month to Rs.700,000 and accepted that bid. This rented building was not in conformity with the relevant specifications and as such, it was observed that the electricity connection regularly was disconnected when the research equipment, air conditioners and office equipment were operated due to defects in the electricity connection
- (b) Even though a sum of Rs.819,000 had been credited to a separate Fund Account from the interest recovered from the employees loans to grant loans to employees, loans amounting to Rs.194,566 had been granted to employees in the year under review from the Government grants, without utilizing the Fund.
- (c) A Court case had been filed in the District Court of Kandy by a former Working Director against the then Chairman (in his private name) on the ground of violation of human rights, claiming for compensation of Rs.5,000,000. Even though this case was not of an official nature, a legal fee of Rs.219,600 had been paid by the Institute.

4.5 Apparent Irregularities

The following observations are made.

- (a) An officer who had been a full-time Lecturer of a University had been recruited to the Gem Deposit Exploration and Assessment Project as a full time consultant on contract basis and a sum of Rs.2,805,000 had been paid at Rs.85,000 per month for the period from April 2011 to December 2013. In addition to that he had been provided with transport facilities to travel from residence to office.

- (b) Although transport charges of Rs.25,060 and the entertainment expenses of Rs.20,000 had been incurred in respect of a field visit undertaken concurrently with the one day workshop related to gemmology and gem cutting industry any evidence in support of conducting such field visit was not made available to audit.

4.6 Weaknesses in the Implementations of Projects

An expenditure of Rs.11,393,846 had been incurred for the Gem Deposit Exploration and Assessment Project from 2007 to the year under review. Out of that 57 per cent and 18 per cent had been incurred on salaries and overtime and fuel, rent and other expenses respectively. Only 25 per cent of the total expenditure had been incurred on the achievement of major objective and the project planned to be completed by the year 2011. had not been completed even by July 2014.

4.7 Personnel Management

The following observations are made.

- (a) Even though the approved cadre in the managerial levels of the Institute as at 31 December 2013 had been 133, the actual cadre had been only 48. Accordingly the number of vacancies had been 85 and timely action had not been taken to fill those vacancies.
- (b) Setting of question papers for the written examinations held for recruitment of employees and checking the answer scripts are done by the 9 officers of the Institute themselves as such it was not established in audit that recruitments are made independently. According to the recruitment procedure a candidate should obtain more than 40 per cent marks at the written test and an average of more than 50 per cent marks. However selections had not been done accordingly.

5. Accountability and Good Governance

5.1 Corporate Plan

A Corporate Plan indicating the existing resources of the Institute, progress of operating results for the last 3 years, identification of persons who are responsible for each activity of the plan and the performance indicators of each year had not been prepared in terms of the Circular No. PED/12 of 02 June 2003

5.2 Budgetary control

Significant variances were observed between the budgeted amounts and actuals thus indicating that the budget had not been made use of as an effective instrument of management control.

5.3 Unresolved Audit Paragraphs

The following observations are made.

- (a) According to the approved salary segment, the salary segment entitled to a Senior Manager is H.M 2.1 but the Director General had been placed in the maximum step of salary segment H.M 2.3 since 01 May 2009 without the approved of the Department of Managements Services. As a result an overpayment of Rs.617,400 had been made to him up to 31 December 2013. Action had not been taken to recover that amount from that officer.
- (b) In promoting 4 Management Assistants they had been placed several salary steps ahead of the salary segment they had been drawing and as such an overpayment of Rs.806,700 had been paid to those officers.
- (c) Although the directives made by the Committee On Public Enterprises had been informed through the Parliament Series No. 119 of 2011, action had not been taken to rectify the irregular salary increases paid by the Institute and to place the officers in their former salary steps.



6. System and Control

Weaknesses in systems and controls observed during the course of audit were brought to the attention of the Chairmen of the Institute from time to time. Special attention is needed in respect of the following areas of control

- (a) Accounting
- (b) Procurement
- (c) Carrying out Researches
- (d) Payment of Salaries
- (e) Conduction Courses
- (f) Board of Survey
- (g) Implementation of Projects

H.A.S. Samaraweera

Auditor General