Gem & Jewellery Research & Training Institute

Hidellana, Ratnapura

Annul Report 2011

GJRTI

Gem and Jewellery Research and
Training Institute
Hidellana,
Ratnapura.
27.07.2012

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

Dear Sir

<u>Annual Report – 2011</u>

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 2011

2. Income and Expenditure Statement for the year ended 31st December 2011, Balance sheet as at 31st December 2011 and Cash Flow Statement for the year ended 31st December 2011

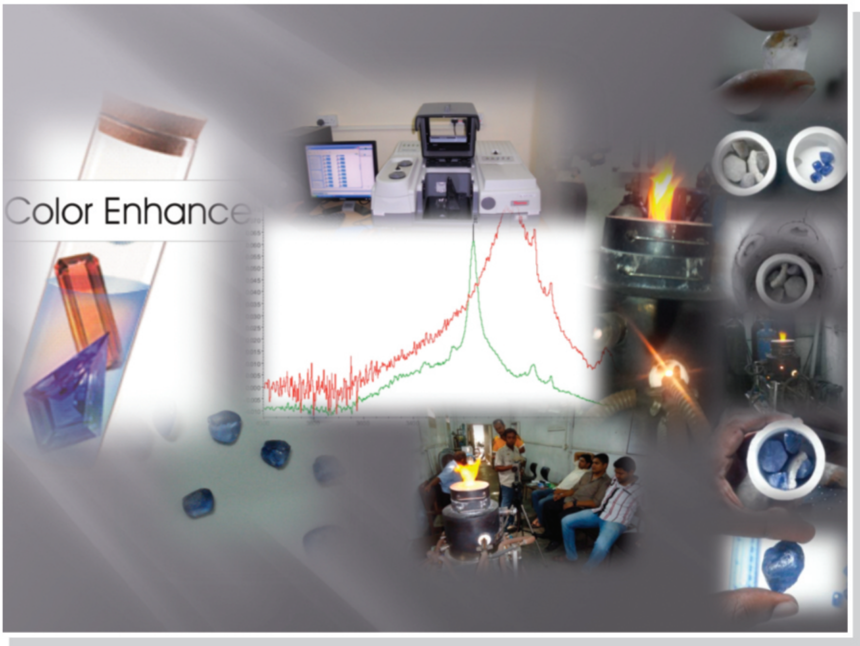
3. Report of the Auditor General for the year 2011

Yours Faithfully,

Faizal Razeen
Chairman
Gem and Jewellery Research and Training Institute

VISSION

"Be the Regional Centre 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, Teanological Innovation, Skill and Competency Development and Quality Improvement or the satisfaction of our Stakeholders."

2. Brief profile of the Directors and Senior Management

2.1 The profile of the Directors of Directors, of the Institute during the vear 2011 was as follows.

01. Mr. Fizal Razeen (Chairman)	Chairman of the Board of Directors since 15.07.2008
02. Professor N.P. Wijeyananda	Board Member since 23.04.2008 (Chiarman - Geological Survey and Mines Bureau)
03. Mrs. Gayani Kaushalya	Board Member since 2011.03.23 to 2011.08.08 (Treasury Representative)
04. Mrs. A.D.A.K. Nandasena	Board Member since 29.09.2011 to date (Treasury Representative)
05. Mr. Indragith Apponsu	Board Member since 14.05.2010 to date

2.2. Senior Management

Tilak Dharmarathne 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 demand for Research and Training.**

  The demand for the services of the institution is being increased. The cause for this increase is 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 servic provided by the Institute of Gem & Jewellery .There is no any other institution which provide training services relevant to all aspects of this field. In the same way there is no any service provider fulfilling the research necessities of rapidly developd North East areas.

- **Unfulfilled needs.**

  We can still see the unfulfilled needs which have been failed to complete by the service providers of this field. Gem ore exploration, recognizing of primary gem deposits. Recognizing of the technology of obtaining primary gem deposits, recognizing and processing the technology of obtaining pimary gem deposits and training for designing and creating designs by computer are included to this.

- **Technological advancements**

  There is a opportunity to invent and introduce new machines to excavation of gem deposits and colour enhancing of gems.

- **Growth of the Institute.**

  I here is a necessity to develop this institute as to Gem and Jewelry University of Asia Pacific region for provides service to the customers from 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 facilitate for carrying out researches.

- **Joint Programms for industry Development**

  There are opportunities to work with co-operation for various development projects of other government institutions for research projects of other government institutions, for research projects with Authority of Gem and Jwellery and lead for eco friendly methods for gem industry with environmental authorities.

- **Publicity.**

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

3.2. Constraints

- **Infrastructure facilities**

  The machines and 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 stranded of metal should be established and associated courses should be intrduced. As diamond cutting is a special part of this industry a training unit should be introduced and steps should be taken for betterment of that industry. Furthermore though these industry posses the ability to introduce new methods to enhance the colour of gems using electric furnace, lack of technical equipments has been affected for this.

- **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 management service department approval has been granted in year 2011 for the promotion scheme, recruitment procedure and new employees plan of the institute which prepared according to Management Service Circular No.30.

  Even so, the recruitments could not be done as the essential provisions for the recruitments were not granted by the treasury. It has been a blunder to achieve the goals of the institute.

  The staff could not be trained in the manner of the demand of the current market of the industry because of the rare opportunities for local and foreign training opportunities for the staff.

  The treasury has frequently been informed by the ministry about this situation and it is expected to do the recruitments and direct the present staff for the training programs.

- **Financial Resources**

  Sufficient fund contribution for 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**

4. <u>Directors Report</u>

4.1. <u>Objective</u>

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 em 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. Their location
   ii. 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 or 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. Action has beenaken to promote training courses in the island and gemology training programme is conducted in Ratnapura and Colombo centers continuously.

4.4. Educational Training & Research Activities

4.4.1 Progress of the Training Division in the year 2011

During the year, the Institute was able to conduct more effective training programmes to address skills and technology needs in the industry. The talented students with skills gained through the training programmes will engage in the Gem and Jewellery Indutry very competitive manner for the quality and creativity of gems and jewellery.

1. Six Training centers ran in the year. These centers were operated in Rathnapura, Colombo, Kandy, Galle and Buttala and met the regional training needs.

2. Free training programmes ware also conducted with collaborations drawn from World University Service of Canada (WUSC) Sri Lanka, Central provincial Council, Youth Corp Ranger training centers in view of supporting youth of low income families to find jobs in manufacturing establishments and to expand the self employment sector.

3. With aiming to promote gem and jewellery production units at Buttala area, a training center for Gem Cutting and Polishing and Jewellery Manufacturing was set up in parallel to Deyata Kirula Programme. Through this center modern technology, advanced crafsmen skills and knowledge was grown with the trainees enabling them to engage successfully in the Gem and Jewellery industry.

4. The Jewellery Manufacturing and Stone Setting courses conducted by the institute were accredited respectively to the National Vocational Qualification (NVQ) Level 4 and Level 3. The trainees who follow these courses will be awarded intentionally recogniz certificate.

5. Today, Costume Jewelleries are increasingly popularized among the local costumers who attired fashionably. However these jewelleries are not produced by local manufactures thus quantities have being imported to meet the vast market demand. Therefore, in view of promoting Costume Jewellery manufacturing industry locally, a course was designed to train students for skills, technology and industry knowledge.

6. During the year, Institute had participated in eight major workshops / functions throughout the country. These activities were able to aware the large public groups from different regions of the country about the industry as a whole and its potential marets, latest trends in the fashion markets, technology usages, skill needs etc.

7. In the year, the rigid measures were taken for introducing modern technology to the training programmes.

8. **Training Statistics**

8.1 Student intake in the year 2011

COURSE	NO OF STUDENTS
Gemmology	36
Geuda heat treatment	38
Gem cutting and polishing	108
Colour grading and marketing	57
Jewellery Designing	31
Jewellery Manufacturing	58
Stone setting	-
Grand Total	**328**

8.2 The students pass out is given in the table below and this record is included previous year courses which ended in this year.

COURSE	NO OF STUDENTS
Gemmology	13
Geuda heat treatment	25
Gem cutting and polishing	43
Colour grading and marketing	72
Jewellery Designing	30
Jewellery Manufacturing	21
Stone setting	8
Grand Total	**212**

In addition to the above achievements in the year 2011, more base activities relating to 2012 action plan were also started. Some of these activities were based on introducing Jewellery Diploma and Gem Carving programmes and developing curriculums for Gem Cutting and Designing courses.

4.5 Human Resource development

	Name	Course	Workshop	Institute
01	Mr. Naleen Jayasinghe	-	Human Talent Management	Sri Lanka Foundation Instutute
02	Mr. Kamal Batagoda Mr. Anura Samaraweera	-	Be an Excellent Teacher	Sri Lanka Foundation Instutute
03	Mr. B.G.R. Gamlath Mr. Naleen Jayasinghe	-	Build A Wining Organization	Skill Development Fund Limited
04	Mrs. Chamika Wikkramaarachchi	-	Supervisor Management	Skill Development Fund Limited
05	Mr. Anura Samaraweera	-	Training Programme for Jewellery Designer	Export Development Board
06	Mr. K.V.K. Kumara	Vehicle Usage	-	Institute of Construction Training and Department
07	All Staff-Head Office	Tamil Language	-	Head Office-Ratnapura.
08	Mr. Buddika Gunaratne	Computer Training Certificate in Multimadia Package	-	IDM Affiliated Campus
09	Mrs. Girty Liyanarachchi Mr. Anura Samaraweera Mr. Kamal Batagoda Mrs. Ruzina Razeen	Certificate Course of English for Professional	-	Sri Lanka Institute of Development Administration

4.6 Performance of Research Programmes and Projects

Research (Exploration) Projects (2011)

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

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, 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 obtained the necessary approvals and funds for this project. The project was commenced in 2010 and it is being progressed accordingly. According to the “Mahinda Chinthana” manifesto this project was initiated from Wellawaya and Buttala Divisional Secretariat in Moneragala District in Uva Province.

Final report of the gem potential map (Draft) of Wellawaya Divisional Secretary area have been completed at the end of 2011. Further, the reconnaissance filed survey for Buttala Divisional Secretary area is being continued.

Action Plan

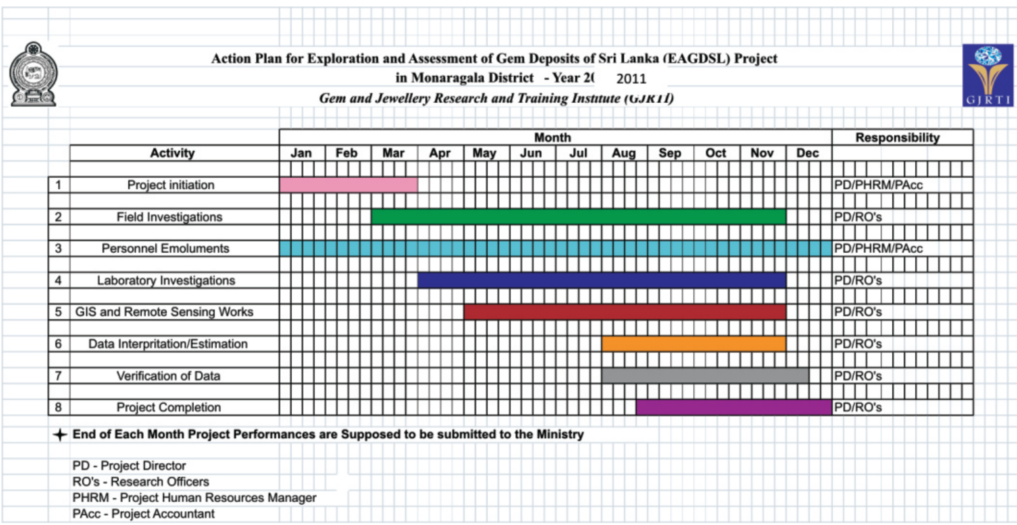


Figure 01: Action Plan for the year of 2011

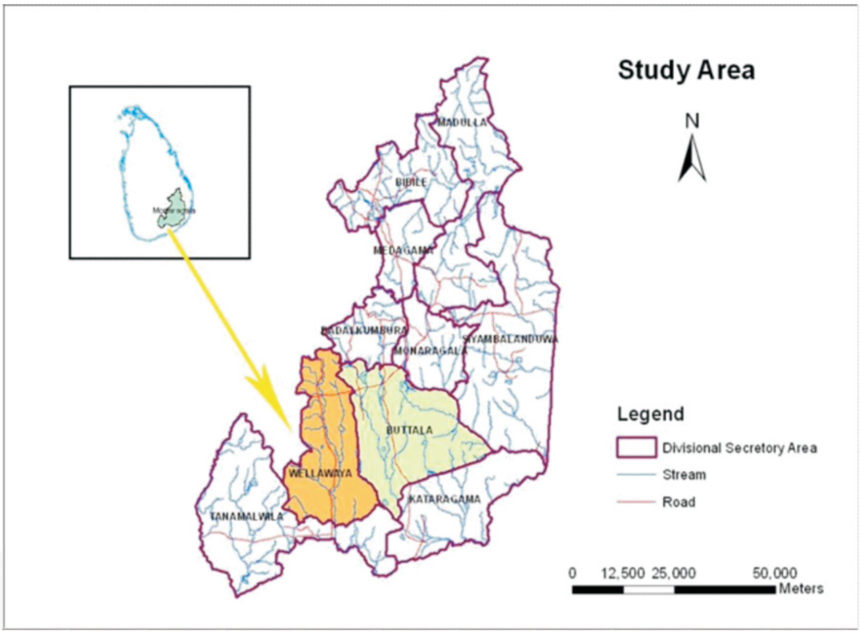


Figure 02: Study Area For The Year 2011

Figure 03: Research Team at the field

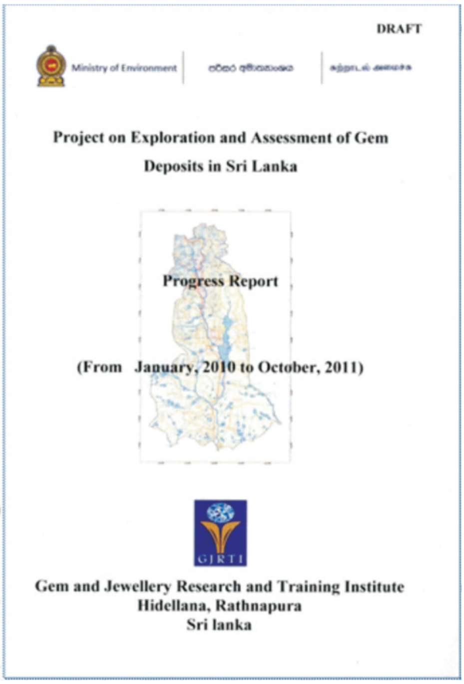


Figure 04

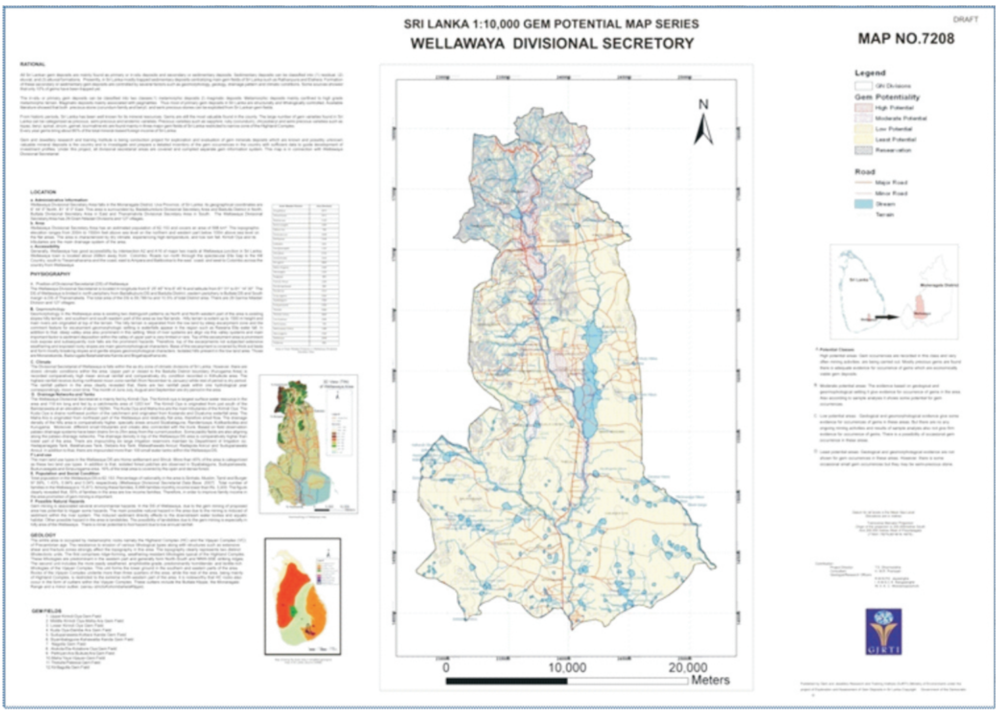


Figure 05: Gem Potential Map of Wellawaya Divisional Secretary

Project 02: Exploration and Assessment Gold Occurrences in Kalu Ganga Basin

The main aim of this project is to study petrological, minerological and geochemical characteristics of gold occurrences and associated minerals in Kalugaga catchment area, to identify its origin and mineralization mechanisms, and to establish economically viable of gold occurrences in the study area.

Field investigation, Sample collection and preparation of sample have been carried out. Since GJRTI doesn't have the necessary laboratory facilities to carry out required tests, sample have been sent to GSMB for analysis.

Action Plan

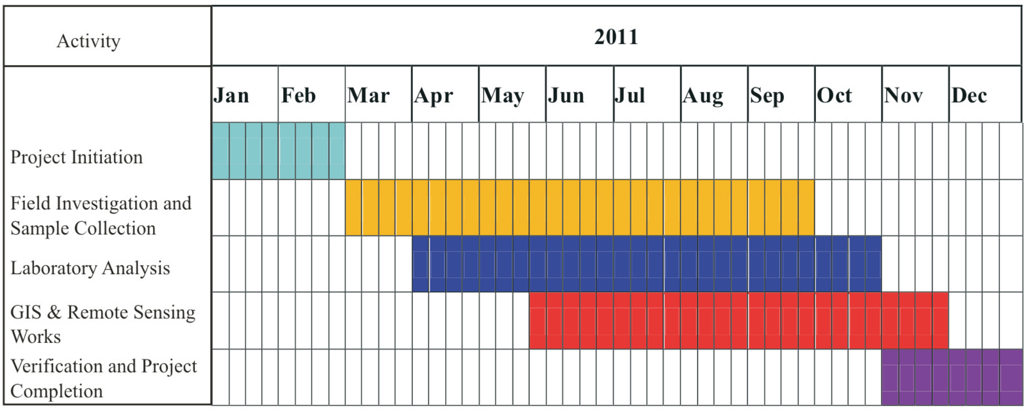
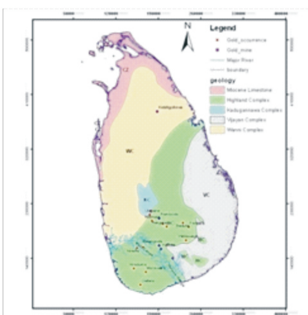


Figure 06: Action Plan for the year of 2011



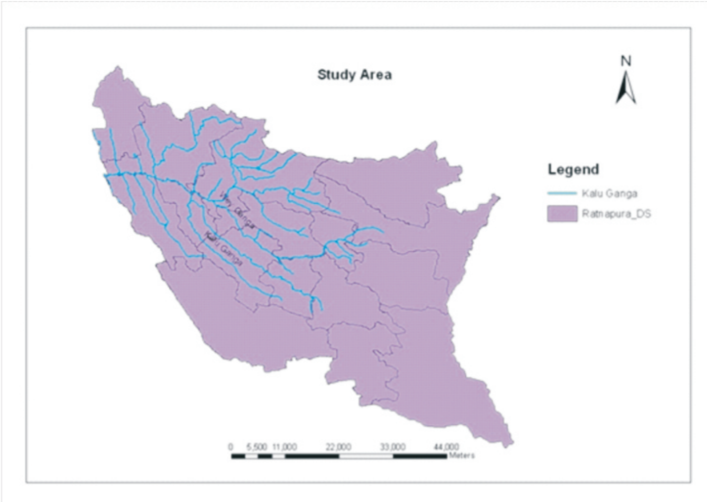


Figure 07: The Research Area

Figure 08: Collection and concentration of samples

Project 03: Maintenance of Stakeholder based Resource Centre on Gem and Jewellery industry

The aims of this project was to update the database of gem and jewellery industry in Sri Lanka, purchase books related to the industry, subscribe leading journals related to the industry and deliver information on gem and jewellery industry to stakeholders.

Purchasing of books/literature for the resource centre has been done. On the other hand updating and maintenance of spatial database of gem and jewellery industry in Sri Lanka was continued.

Faizal Razeen
The Chairman
Gem and Jewellery Research and Training Institute,

5. Audited Financial Statement
Financial Information for last 05 years

	2007	2008	2009	2010	2011
Operating Revenue					
Treasury Grants	18,714	20,228	25,321	25,885	27,420
Other Contributions	3,325	6,289	5,330	8,322	12,500
Course Fees	5,392	5,597	2,614	2,397	3,256
Income From Services	36	45	22	24	25
Income From Geological Services	-	-	-	-	-
Total Operating Revenue	**27,467**	**32,159**	**33,286**	**36,628**	**43,201**
Other Revenue					44
Interest	1,002	151	69	159	166
Other Income	2,289	404	194	164	205
Total Revenue	**30,758**	**32,714**	**33,550**	**36,952**	**43,616**
Less: Expenses					
(a) Personnel and Administration	27,144	29,119	26,504	28,629	30,328
(b) Depreciation and General	5,516	7,570	6,402	9,102	12,905
Total Expenses	**32,660**	**36,689**	**32,906**	**37,732**	**43,233**
Surplus / (Deficit)	**-1,902**	**-3,975**	**644**	**-779**	**383**

GEM AND JEWELLERY RESEARCH AND TRAINING INSTITUTE
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31ST DECEMBER – 2011

Description	2011		2010	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Income				
Recurrent Grants - Treasury		27,419.5		25,885.0
Other Income				
Income from Training Courses		3,255.5		2,397.0
Geuda Heat Treatment Service Charges		25		25
Geological Research services				
Interest Income		166.3		159.1
Sundry Income		205.4		164.4
Total Incom		**31,071.7**		**28,630.50**
Less: Operating Expenses				
Personnel Emoluments		18,924.1		17,972.9
Traveling		437.5		285.3
Supplies and Consumable used		1,743.6		1,869.6
Maintenance		1,642.0		1,155.3
Contractual Services		6,467.8		6,497.5
Training Programme Expenses		696.5		468.8
Other Operating Expenses		393.3		355.6
Total Operating Expenses		**30,304.8**		**28,605.00**
Surplus / (Deficit) From Operating Activities		**766.8**		**25.4**
Less: Finance Cost		-22.7		-24.1
Grants - Capital Expenditure Portion	6,458.6		5,646.9	
Other Receipts				
Less: Depreciation and Amortization Expenses	6,458.6		5,646.9	
	6,863.9	-405.3	6,427.2	-780.3
Other Capital Investment Grants				
Less: Capital Investment Expenditure	**6,040.9**		**2,675.2**	
Improvements of Capital Assets	5,723.4		2,644.2	
Net Expenditure on Other Capital Investment	317.5		31.0	
Total Non Operating Revenue		**-428**		**-804.4**
Add: Gain on Sales of Assets		44.2		-
Net Surplus (Deficit) Before Extra Ordinary & Items		383.1		**-779**
Extra Ordinary Items				
Net Surplus /(Defict) for the period				
Add:		**383.1**		**-779**
Net Surplus / (Deficit) from previous years	-62,815.6		-62,016.7	
Less: Prior year Adj.	200.0	-63,015.7	20	-62,036.7
Net Surplus / (Deficit) C/F		**-62,632.6**		**-62,815.6**

GEM AND JEWELLERY RESEARCH AND TRAINING INSTITUTE
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER – 2011 (BALANCE SHEET)

Description	2011		2010	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS				
Non Current Assets				
Property, Plant & Equipment	26,916		32,058	
Contribution (LT)				
Gratuity Fund	1,036	27,952	353	32,411
Differed Expenditure				
Partitioning & Modification				41
Current Assets				
Stock & Consumables	1,375		1,393	
Less: Provision for Write Off	-648		-648	
	727		745	
Books for Sale	146		176	
Investment (ST)				
Loan and Advances	661		736	
Deposits (Gratuity)	1,755		1,619	
Deposits	880		890	
Trade & Other receivables	47		4,577	
Prepayments	234		52	
Bank & Cash Equivalents	2,726	7,177	108	8,905
Total Assets		35,129		41,357
Current Liabilities				
Payable	230		106	
Accrued Expenses	3,419		2,433	
Differed Income -OPS Income (b)	119		119	
Creditors	12	3,781		2,658
Non- Current Liabilities				
Control Account - NGJA	3,179		7,507	
Grants-Other Institutions	162			
Provisions for Gratuity	7,641		7,224	
Staff Security Deposit	10	10,993	10	14,741
Total Liabilities	14,773		17,399	
Net Assets/Equity		**20,355**		**23,958**
Contributed Capital		50,000		50,000
Reserves		3,000		3,000
Other Contribution		850		850
Staff Circulating Fund (Loan)		772		750
Differed Income –Capital Grants (a)		28,365		32,173
Accumulated Fund		-62,633		-62,816
		20,355		**23,958**

GEM AND JEWELLERY RESEARCH AND TRAINING INSTITUTE
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST DECEMBER – 2011

Rs.'000

	2011	2010
Cash Flows from operating Activities		
Non Cash Movements	-428	-804
Depriciation	6,864	9,102
Deffered Capital Provision	-12,500	-8,322
Increase in Payables	1,123	-3,966
Increase in Other Current Liabilities	-4,166	-495
Increase in Provisions Relating to Employee Costs	417	385
Increase in Other Current Assets	3,727	-487
Creditors	6,041	
Net Cash Flows from Operating Activities (a)	1,078	-4,589
Cash Flows from Investigation Activities		
Purchase of plant and Equipment	-1,307	-3,961
Proceeds from Sale of Plant and Equipment	-6,041	-2,675
Proceeds from Sale of Investments	22	3,120
Protiton Sale of Plant and Equipment	44	
Disposal of Assets	129	
Net Cash Flows from Investing Activities (b)	-7,152	-3,516
Cash Flows from Finansing Activities		
Capital Grant	8,692	7,294
Net Cash Flows from Financing Activities ©	8,692	7,294
Net Increse / (Decrease) in Cash and Cash Equivalents (a)+(b)+©	2,618	-811
Cash and Cash Equivalents at Beginning of Period	108	920
Cash and Cash Equivalents at End of Period	**2,726**	**108**

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல / My No: ටීඑම්/ජී/ජීජේආර්ටීඅයි/එෆ්ඒ/2011
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දිනය / திகதி / Date: 2012 අගෝස්තු 21 දින

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 2011 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 comprising the balance sheet as at 31 December 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory Information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with 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 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 issued to the Chairman of the Authority on 14 May 2012.

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 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.

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சுதந்திர சதுக்கம், கொழும்பு 07, இலங்கை.
INDEPENDENCE SQUARE, COLOMBO 07, SRI LANKA.

දුරකථනය / தொலைபேசி / Telephone: 2691151
ෆැක්ස් අංකය / பக்ஸ் இல / Fax No.: 2697451
ඉලෙක්ට්‍රොනික් තැපැල් / ஈ-மெயில் / E-mail: oaggov@sltnet.lk

1:3 **Auditor's Responsibility**

My responsibility is to express an opinion based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. 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 judgments, 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 Institution'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 Institution'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 power to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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 this report, the financial statements give a true and fair view of the financial position of the Gem and Jewellery Research and Training Institute as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2:2 **Comments on Financial Statements**

2.2.1 **Sri Lanka Accounting Standards**

Even though the provision for depreciation should be made from the date of purchase of assets in terms of Sri Lanka Accounting Standard No.18 depreciation for the year of purchase had not been made by the Institute.

2.2.2 **Accounts deficiencies**

The following deficiencies were observed.

(a) A motor cab valued at Rs.5,600,000 received from the Treasury on lease rent basis and registered in the name of the Institute had not been brought to accounts.

(b) Allowance of Rs.185,000 paid relating to the year under review had been brought to accounts as a payable allowance as well.

(c) The payment of Rs.461,542 made for the repair of building received from the Buttala Co-operative Society, had been brought to accounts as "Deyata Kirula" exhibition payment.

(d) A sum of Rs.404,704 had been spent for the repair of building obtained from the Buttala Co-operative Society on rent basis and this amount should have set off in terms of the agreement. This had not been disclosed in the notes to accounts.

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

Instances of the following non-compliance were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliance
Sections 26(1) of the National Gem and Jewellery Authority Act No.50 of 1993	Even though The Director General of the Authority should be one of the Directors of the Board of Directors of the Institute. He had not been appointed up to April 2012 to the Board of Directors The Chairman informed that the members of the Board are appointed by the Ministry and as such this function is beyond the control of the management.

3. **Financial Review**

3:1 **Financial Results**

According to the financial statements presented the operation of the Institute for the year ended 31 December 2011 had resulted in a surplus of Rs.383,079 as against the deficit for the year ended 31 December 2010 amounted to Rs.778,960. Thus indicating a increase of Rs.1,162,039 in the financial results. The increase had been due to the increase in Capital Grants improvement by Rs.4,177,461. The Accumulated Fund of the Institute had continuously shown minus value and the minus values from 2008 to 2011 amounted to Rs.63,440,426, Rs.62,016,683, Rs.62,815,644 and Rs.62,632,591 respectively.

3:2 **Working Capital Management**

Liquidity Ratio	Standard Ratio	2011	2010	2009
(a) Current Ratio	2:1	1.01	0.88	0.61
(b) Liquid Assets Ratio	1:1	1.70	3.06	1.21

According to the Liquidity ratio analysis it was observed that the financial position of the Institute had been adverse.

4. Operating Review

4:1 Performance

The following observations are made.

(a) Gem Deposit Exploration and Assessment Project

In terms Paragraph 05 of the Gazette Notification dated 28 July 1995, one of the key functions of the Institute is to conduct Gem and Mineral Surveys and Researches in Sri Lanka. A provision of Rs.36 Million had been approved by the Cabinet of Ministers to commence a project for 4 year-period from 2007 to 2010.

The following observations are made in this connection.

(i) Even though a provision of Rs. 09 million had been made for each year since 2007 on this project, the percentage spent each year ranged from 2.06 to 45 per cent.

(ii) Even though the objective of the project is to give consultation to conduct surveys in 8 Districts in the Island within the period of 4 years, only surveys in Moneragala District had been carried out up to 31 December of the year under review.

(iii) In addition to the main objective of the project proposal, action should be taken to resolve the problems in respect of illegal gemining environmental and geological problems, introduction of such solutions had not been done.

(iv) Even though the estimated consultancy expenditure is the maximum of Rs.100,000 for each province the Consultancy fee of Rs.765,000 had been paid only to Monaragala District in the Uva Province.

(b) Conduct of Training Programmes

Estimated and actual income, of courses consultancy expenses and students participation in the courses relating to 2 years are given below.

No. of Students Participated

Course	2011		2010	
	Estimated Value	Actual Value	Estimated Value	Actual Value
Jewellery Designing	80	31	40	30
Manufacture of Jewellery	90	59	165	18
Jewellery Stone Setting	10	-	10	07
Gemology	50	36	60	38
Gem Cutting and Polishing	70	106	80	55
Geuda Heat Treatment	20	38	20	36
Gem colour Grading and Marketing	40	57	-	45
Total	360	327	375	229
Course Income (Rs.)	6,370,000	2,440,000	9,030,000	2,397,000
Consultancy Fees (Rs.)	2,279,000	3,576,046	2,250,000	3,968,717

The following observations are made in this regard.

(i) Even though it was estimated to train 50 students in gem designing creation (computer related) fixing stone to jewellery and gemology (English) courses, such courses had not been commenced.

(ii) Even though it was targeted to open Training Centres in Vavuniya, Kuliyapitiya, Trincomalee and Baticaloa in the year under review, such Training Centres had not been opened. A Training Centre had been set up at Jaffna Technical College in the year 2008. Any course had not been conducted therein up to the end of the year under review.

(c) According to the duties and functions vested in this Institute by the Gazette Notification No.882 dated 28 July 1995 of the Democratic Socialist Republic of Sri Lanka, mining, manufacture of jewellery providing technical and other advice including the manufacture of plant and machinery for the development of Gem and Jewellery field such as systems for burning gem stones, conducting work shops and seminars and publication of books and papers on related topics and work done etc. should be carried out. Nevertheless, such functions had not been performed by the Institute.

(d) Even though students should be selected by calling for applications by giving a wider publicity with a 40% target group for courses conducted with the assistance of the Canada World University Service, students who had been following another Course at that time had been referred to this course on the basis of personal identification.

4.2 Management Inefficiencies

The following matters were observed.

(a) The loss of Rs.1,495,749 incurred due to gold and silver fraud caused by a former Senior Manager of the Institute had not been recovered.

(b) In terms of paragraph 4.2.2 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, a Board meeting should be held in each month and the performance of the Institute should be reviewed. Nevertheless only 3 meetings of Board of Directors had been held by the Institute for the year 2011.

4.3 **Under Utilized Assets**

Even though a geological drilling machine had been purchased in the year 2007 by incurring a cost of Rs.12,309,013, this machine had not been utilized even up to the year under review.

4.4 **Uneconomic Transactions**

The following observations are made.

(a) According to the attendance register of the Security Officers at Ratnapura Office two security officers had served but payments had been made to three officers. Accordingly salaries amounting to Rs.559,911 had been paid for the period from 15 July 2008 to the end of the year under review to a person without providing any service.

(b) Students in Colombo, Galle, Kandy and Buttala Centres amounted to 54, 03, 23 and 45 respectively. It was stated that the Chairman and the Director General had visited those places 59, 12, 20 and 37 times during 8 months respectively.

(c) Operating the Colombo Centre

Three rooms, to the extent of 503.87 square feet valued at Rs.263,409 had not been utilized for any purpose and plant and machinery brought from other Centres had been stacked here and there without being utilized.

4.5 **Human Resource Management**

The following observations are made.

(a) The approved and actual cadre as at 31 December 2011 amounted to 133 and 44 respectively.

(b) An over payment of Rs.938,950 had been made to the Director General as a result of placing him an erroneous salary scale and action had not been taken to recover that over payment.

(c) In the implementation of salary revisions, it should be in conformity with Sub-sections 4.3, 4.4 and 4.5 of Chapter VII of the Establishments Code. Contrary to that salaries had been calculated for the entire staff.

(d) Recommendations of the Department of Management Services and the Salaries and Cadre Commission for the salary increase of the Institute in the year 2009 had not been obtained.

4.6 **<u>Vehicles Utilization</u>**

The following matters were observed.

(a) A motor vehicle fleet of 6 had existed in the Institute out of which 2 had been official vehicles and 4 had been pool vehicles. This vehicle fleet had included 3 vehicles obtained on rent basis and a sum of Rs.837,925 had been paid as rent for those vehicles during the year under review.

(b) The Chairman of the Institute had obtained additional fuel valued at Rs. 550,000 and Rs.252,000 in the years 2010 and 2011 respectively without any approval.

5. **Accountability and Good Governance**

5.1 **<u>Corporate Plan</u>**

Targets set in the Corporate Plan for the period 2010-2014 had not been achieved during the relevant period and the same targets and strategies for 2011 -2015 Corporate Plan only changing the period without being revised.

5.2 **<u>Action Plan</u>**

The following matters were observed.

(a) In the preparation of the Action Plan, what activities expected to be performed, number of targets expected to be reached had not been indicated and only the percentage had been presented in the year's progress.

(b) The analysis of chemical structure and to identify the geuda heating level of the various types of geuda obtained from the Monaragala District in respect of geuda heating had to be specified to be done during the year under review, but it had not been done.

(c) <u>Testing the availability of Gold at Kaluganga Area</u>

Although testing to the extent of 1000 square km expected to be done, information of the progress thereon was not made available. 18 samples obtained from mines based on information obtained from the National Gem and Jewellery Authority had been sent to the Geological Survey and Mines Bureau as there is no Laboratory facilities in the Institute.

5.3 **Internal Audit**

An Internal Audit Unit had not been in operation and the service of the Chief Internal Auditor of the Ministry had been obtained.

5.4 **Audit and Management Committee**

Four audit and management committee meetings had been held in the year under review.

5.5 **Budgetory Control**

Significant variances between the estimated and actual income and expenditure ranging from 25% to 251% observed thus indications that the budget had not been made use of as an instrument of effective management control.

5.6 **Annual Reports**

The Annual report for the year 2010 had not been tabled in Parliament even by April 2012.

5.7 **Stock Verification**

There was a shortage of 72 items of training equipment at the Hambantota Jewellery Manufacturing Training Centre and 33 items of obsolete stock valued at Rs.926,380 had not been entered in the inventory at Colombo Office. Further, 11 items the value of which was not stated had also not been documented, 7 items in the Research Division of the Buttala Project office of which the value not indicated and had also not been documented.

6. **Systems and Control**

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

(a) Conducting Researches
(b) Salaries
(c) Conducting Courses
(d) Ascertainment of Security Services
(e) Stock Verification

H.A.S Samaraweera
Auditor General

GJRTI