

Head 303 - Department of Textile Industry

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Textile Industry for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, and cash flow statement for the year then ended, 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 . The Summary Report containing my comments and observations on the financial statements of the Department of Textile Industry was issued to the Accounting Officer on 07 July 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 21 January 2021 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Department of Textile Industry as at 31 December 2019 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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 Chief Accounting Officer and the Accounting Officer on Financial Statements

The Chief Accounting Officer and the Accounting Officer are responsible for Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 .

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Department 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.

The Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the Department in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General 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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control , obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Sub-section 6 (1)(d) and Section 38 of the National Audit Act No. 19 of 2018 .

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations made by me regarding the financial statements furnished for the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The cost of Rs.1,350,000 two vehicles which were sold in the year 2018 belonging to the Department had not been removed from the value of the property plant and equipment.	The vehicles sold should be removed from the value of the property plant and equipment.	Actions have been taken to correct in the year 2020 .
(b) The plant and machinery which were purchased in the year 2018 amounting to Rs.2,108,000 had not been shown under the property plant and equipment.	The fixed assets belonging to the Department should be shown under the property plant and equipment.	-do-
(c) The value of the building complex at Katubedda belonging to the Department and 25 buildings located at 12 other areas had not been assessed and brought to accounts.	The buildings belonging to the Department should be assessed and accounted for.	The Department of Valuation has been continuously informed in this regard verbally and in writing and the assessment reports have

not been provided even by now. Actions have been taken to discuss with regard to this at the Audit and Management Committee Meeting and to inform the Department of Valuation.

1.6.2 Non-compliance with Laws, Rules, Regulations

Reference to Laws, Rules and Regulations	Audit Observation ----- Non-compliance	Recommendation	Comments of the Accounting Officer
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Paragraph 9 of the SAI / A / 4/34 Guidelines dated 21 July 1995 issued by the Presidential Secretariat under the title Guidelines for the Transfer of Government Lands	A special unit had to be set up under the leadership of a staff officer to perform the activities such as maintaining of documents in relation with the lands leased out, renewal of lease agreement within the stipulated time and ensure that the rent collection is being carried out in a timely manner, observing, supervising and monitoring in compliance with the terms and conditions of the agreement by the lessee and taking legal actions to regain ownership of the property in case of breaching of the terms and conditions of the agreement. Nevertheless, it was observed that the special unit established within the Department consisting of two Textile Specialists and	Arrangements should be made to establish a special unit under the leadership of a staff officer and to recover arrears income.	Actions will be taken to appoint new officers for this unit and maintain it at an active level in future.

Development Officers in November 2015 in connection with the handloom enterprises which were leased out by the Department was not at a functional level.

2. Financial Review

2.1 Revenue Management

Audit Observation

The arrears of lease of 06 textile power looms out of the 11 leased out by the Department at the end of the year under review was Rs. 16,148,250 . Failure to update lease agreements and renew lease payments, non- monitoring of lands and buildings and non-conducting follow up actions and delays in taking legal actions had caused to this. However, the legal advices were asked for from the Attorney General to take legal action to recover the arrears.

Recommendation

Arrangements should be made to recover the arrears.

Comments of the Accounting Officer

Agree with the observations.

3. Operating Review

3.1 Planning

Audit Observation

There are facilities to enroll 350 students for one year training courses in 14 Textile Training Schools established in various

Recommendation

Courses should be conducted as planned.

Comments of the Accounting Officer

Even though a certain number of marks were given for the final certificate of the textile

parts of the country and the Design Training Schools in Getambe and Katubedda and it had been planned to enroll 175 students for the training course during the year under review. Only 160 students had been enrolled in the year and it was about 45 per cent of the number of students who could be enrolled. Further, out of the courses conducted, only one course at the Katubedda Training Center was able to provide the National Vocational Qualification (NVQ 3) Certificate.

industry at the time of admission to the faculties of education, it can be guess that the removal of that system from the last year has led to a decrease in student attendance. Arrangements are being made for obtaining NVQ.

3.2 Failure to Perform Roles

 The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A sum of Rs.4,549,169 in relation to 63 parties who did not appear to seek compensation in the payment of compensation under the Functional Voluntary Compensation Scheme of the Department had been retained in deposit account from the year 2017 and actions not had been taken to prove their ownership and to pay the money.	Actions should be taken to give the money of the relevant persons who were entitle for the compensations or to credit unclaimed money to government revenue.	Discussions were made on this matter in the Audit and Management Committee Meeting of the Ministry and actions have been taken as per the instructions therein. Accordingly, a newspaper advertisement was published on 30.06.2020 and actions will be taken to credit the money of the beneficiaries who do not appear within 14 days to the government revenue.
(b) Collection of detailed data for the census of island wide textile	The census should be completed as estimated.	Necessary provisions have been requested for

industry at Grama Niladhari Division level was started in the year 2017 in two phases. A cost of Rs. 16 million had been estimated for this census conducted by the Department of Census and Statistics and the Department of Textiles in collaboration with the District Secretariats and the census had been scheduled to be completed in the year 2017. The first phase of this census had been completed in the years 2018 and 2019 and a sum of Rs. 6,133,535 had been incurred for that. However, the second phase had not been completed even by 31 August 2020 .

the second phase in the year 2021 and actions will be taken to finalize it after receiving the provisions.

3.3 Procurements

Audit Observation

A bid had been invited on 10 September 2019 to replace the electrical circuit in the Katubedda Division. The estimated cost for this was Rs. 6,938,940 and the contract had been awarded at a price of Rs. 6,685,630 . Bidders of every government contract exceeding Rs. 5 million should submit a certificate of registration to the Registrar of Public Contracts as per the Supplementary 13 of the Government Procurement Guidelines dated 03 October 2007 and the Bidders who do not do so should not be evaluated. Likewise, although the contractor had to

Recommendation

It should act in accordance with the provisions of the Government Procurement Guidelines.

Comments of the Accounting Officer

Agree with the observation. It has been taken into notes to act in accordance with the Guidelines in future procurement activities.

register the contract agreement after awarding the contract, actions had not been taken by the Department in accordance with the relevant Guidelines.

4. Human Resources Management

The following observations are made.

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Even though the requests have been made to the Ministry of Public Administration and Disaster Management to recruit a suitable officer for the post of Assistant Director of the Department, the vacancy had remained the same even by 31 August 2020.

Actions should be taken to fill the essential vacancies.

Actions have been taken to appoint an officer to fill the vacancy.

(b) There are 33 vacancies at the secondary level and 13 posts were in vacant due to the suppress of the post. There were two vacancies in Development Assistant and Technical Officer posts respectively, 5 vacancies in Management Assistant posts also and 13 vacancies for textile consultant positions as well within the 20 remained vacancies.

Actions should be taken to fill the vacancies.

It has been informed that the recruitment of officers has been suspended by the Management Services Circular 01/2020 and subsequently, the relevant arrangements are being made to obtain the consent of the Ministry of Finance and to recruit.