

Textile Quota Board

1. Financial statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Textile Quota Board as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Accounts Receivable

Action had not been taken to recover a sum of Rs.94,316 due from three officers who vacated their posts since the year 2010.

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

The following non-compliances were observed in audit.

<u>Reference to Laws, Rules, and Regulations</u>	<u>Non- compliance</u>
(a) F.R. 1645 (a)	A Log Book in respect of the vehicle belonging to the Board had not been maintained.
(b) Public Enterprises Circular No.41/90 of 10 October 1990	Even though the fuel consumption of motor vehicles should be tested once in six months to check any unusual variance, it had not been done so.
(c) Public Administration Circular No.14/2008 of 26 June 2008	The officers who obtain the vehicle allowance should not use any official vehicle. Nevertheless, the Acting Directress General had obtained the vehicle allowance while using an official motor vehicle.
(d) Treasury Circular No.IAI/2002/02 of 28 November 2002	A separate Register of Fixed Assets in respect of computers, computer accessories and software had not been maintained.

- (e) Treasury Management Audit Circular No.DMA/2009/(2) of 01 September 2009 Particulars regarding the assets, cost, disposal of assets and verification of assets had not been included in the Register of Fixed Assets.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Board for the year under review had resulted in a deficit of Rs.14,430,526 after the payment of compensation for employees as against the surplus of Rs.2,286,405 for the preceding year, thus indicating a deterioration of Rs.16,716,931 or 731 per cent in the financial results for the year under review.

2.2 Analytical Financial Review

The deficit in the financial results had been mainly due to the compensation of Rs.11,310,546 paid in respect of 10 officers dismissed during the year under review. Further, the decrease in the income from interest, service charges and VAT registration by 39, 59 and 49 per cent respectively and the decrease in the income from penalty for delays and other income by 82 per cent had also affected the above deficit.

3. Operating Review

3.1 Performance

Performance of the Board of the year 2011 could not be evaluated due to the non-availability of required information on the number of garment factories registered, number of garment factories operating at present, number of institutions subject to tax, number of institutions cancelled and the number of institutions closed down.

3.2 Management Inefficiencies

Despite the availability of a person to purchase the materials at a cost of Rs.65,700 for the partition of the building rented out to the Textile Quota Board previously, it had been given to the owner of the building free of charge.

3.3 Transactions of Contentious Nature

A female officer who proceeded abroad without obtaining the approval for leave from 22 September 2009 up to 10 March 2011 had been reinstated in the service without considering as a vacation of post in terms of Section 7.1 of Chapter V of the Establishments Code. Further, she had been paid 03 salary increments for the period not served and subsequent to 06 months she had vacated the post after having obtained a compensation of Rs.1,383,491.

3.4 Identified Losses

In the payment of compensation for 10 permanent employees who lost their jobs due to the winding-up of the Board, the Minister of Industry and Trade Affairs and the Commissioner of Labour (Technical Affairs) had agreed to adhere to the provisions of Circular No.3/2011 of 04 April 2011 issued by the Sri Lanka Ports Authority. The approval thereon had been granted by the Cabinet Paper No.අ.ම.ප./11/1679/515/017-1 of 07 October 2011. Nevertheless, in the payment of approved compensation, a sum of Rs.4,181,780 had been overpaid due to the computation of compensation contrary to the circular instructions.

3.5 Idle Funds

Even though a sum of Rs.13 million had been deposited in the General Deposit Account of the Treasury during the years 1997-1999, the Department of State Accounts had informed the Board that no interest was being paid on the above deposits.

4. Accountability and Good Governance

4.1 Board of Directors

In terms of Section 3.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003, meetings of the board of directors should be held and the decisions should be made accordingly. Nevertheless, a board of directors on behalf of the Board had not been appointed since the year 2009.

4.2 Corporate Plan

In terms of Sections 5.1.1 and 5.1.2 of the circular referred to at 4.1 above, a Corporate Plan and an Action Plan for the year under review had not been prepared.

4.3 Internal Audit

An internal audit on the operations of the Board had not been carried out during the year under review.

4.4 Budgetary Control

A budget for the years of accounts 2010 and 2011 had not been prepared by the Board.

5. Systems and Controls

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

- (a) Utilization of Funds
- (b) Payment of Compensation for Employees
- (c) Accounts Receivable