

National Design Centre - 2012

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 National Design Centre as at 31 December 2012 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 Unreconciled Control Accounts

The balance of the Staff Loan Fund Account of the Centre as at 31 December 2012 according to the Individual Loans Account amounted to Rs.4,365,469 whereas according to the Registers of Individual Loans the balance amounted to Rs.4,316,590. As such a difference of Rs.48,879 was observed.

1:2:2 Suspense Accounts

The balance of the Suspense Account shown under the Trade and Other Receipts Account of the Centre amounting to Rs.22,079 and the balance of the Suspense Account shown under the Trade and Other Payments Account amounting to Rs.456,382 had been brought forward over a period of 05 years without taking action to identify and reconcile them.

1:2:3 Accounts Receivable and Payable

The following observations are made.

- (a) Action had not been taken for the settlement of the accrued expenses old between 02 years and 05 years and older than 05 years according to the age analysis amounting to Rs.590,901 and Rs.226,938 respectively.
- (b) According to the financial statements presented by the Centre the balance of the Trade and Other Receivables Accounts as at the end of the year under review totalled Rs.9,843,064 and out of that a sum of Rs.1,271,743 had been balances older than 05 years.
- (c) The balances of the Trade and Other Payables Accounts of the Centre as at the end of the year under review amounted to Rs.2,584,412 and out of that a sum of Rs.935,037 had been balances older than 05 years.

1:2:4 Lack of Evidence for Audit

The evidence indicated against the following items appearing in the financial statements had not been furnished to audit.

Item -----	Value ----- Rs.	Evidence not made available -----
(a) Fixed Assets	26,821,575	(i) Register of Fixed Assets (ii) Board of Survey Reports (iii) Title Deeds
(b) Debtors	5,622,119	Confirmation of Balances
(c) Creditors	3,040,794	Confirmation of Balances

1:2:5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The non-compliances observed during the course of audit are given below.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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(a) Treasury Circular No. 1A1/2002/02 of 28 November 2002	A Register for Computers, Computer Accessories and Software had not been maintained.
(b) Public Enterprises Circular No. PED/12 of 02 June 2003 Section 6.5.1	Even though the financial statements and the draft Annual Report for the year under review should have been presented to the Auditor General within 60 days after the close of the financial year, only the financial statements had been presented on 26 April 2013.

2. Financial Review

2:1 Financial Results

According to the financial statements presented for the year under review, the overall working of the Centre after taking into account the Government grant of Rs.36,358,000 received for recurrent expenditure had resulted in a net deficit of Rs.3,636,112 as compared with the corresponding deficit of Rs.922,194 after taking into account the Grant of Rs.36,621,000 received from the Government for that year. As such a further deterioration of Rs.2,713,918 in the financial results was observed. Had the Government grants been excluded the operating deficit for the year under review would have been Rs.39,994,112 and the net deficit of the preceding year would have been Rs.37,543,194.

The increase of the personal emoluments by Rs.2,197,237 or 8.5 per cent and the other expenditure by Rs.1,018,792 or 65 per cent as compared with the preceding year had been the main reason for the deterioration of the financial results.

3. Operating Review

3:1 Performance

The following observations are made.

- (a) The number of designs and inventions produced by the Moratuwa and Nattarampotha Project by 31 December of the year under review had been 672 and out of that 381 had been handed over to the Workshop. The products handed over included 205 products needed for the craftsmen and 86 graphic designs. The new designs and inventions of the preceding year had been 679 and 321 design samples and as compared with that the new designs and the inventions of the year under review had decreased by 1 per cent. An adequate course of action had been launched with the National Crafts Council to bring all these for use by the craftsmen. There were 10 designers with the Centre and a target of a minimum number of 05 designs per month had been set for each designer. Three designers had failed to reach that target. Nevertheless, a methodology to ascertain the number of designs popularized among the craftsmen and the number of designs which had been favoured by the craftsmen had not been identified for follow up. As such the number of designs out of those produced had been effectively successful is open to question.
- (b) Out of the programmes targeted in the Action Plan, 03 programmes had not been executed while the progress of the balance two programems had been 20 per cent and 40 per cent. Details appear below.

Activities	Expected Target for the year 2012	Targets Achieved as at 31 December 2012	Percentage of Achievement
Recurrent Activities			
Training of Trainers			
Number of New Design Training Programmes	10	02	20
Number of Participants	150	29	19

Training for Development of Designs and
Providing Technology

Diploma in Higher National Designs	60	0	0
Intermediate Diploma in National Designs	30	0	0
Providing Marketing Facilities for New Designs			

Number of Handicrafts Products Prepared for Exhibition	385	0	0
Number of Handicrafts Craftsmen Participated	300	0	0
Number of General Public Participated	6,000	0	0
Number of Meetings of Buyers and Sellers	01	0	0
Number of Beneficiaries	50	0	0
Number of Display Centres Based on Tourists	02	0	0
Supply of Designs Market Facilities	30	12	40

- (c) The training programmes targeted for holding under 09 sections within the period according to the Action Plan for the year 2012 had not been held as planned.

3:2 Management Inefficiencies

New Showroom - Battaramulla

Even though popularisation of new designs through the new showroom of the Centre had been a main objective according to the Action Plan, and objective could not be achieved as the showroom had been closed down in the year under review.

- (a) The new showroom commenced in the year 2011 had been closed down in August 2012. As such the sum of Rs.602,716 comprising Rs.240,000 at the rate of Rs.80,000 being the rent from August to October 2012, security expenses amounting to Rs.324,612 and the other expenses amounting to Rs.38,104 as well as the sum of Rs.2,280,911 spent in the year 2011 on the preliminary work of the showroom had become fruitless expenditure.
- (b) Inventory goods valued at Rs.998,400 purchased from a private institution in September 2011 and installed in the showroom had been kept in different places in the Head Office and those goods remained idle up to 03 October 2013.
- (c) A stock of 338 samples valued at Rs.250,024 sent by the Nattarampotha Office in April 2012 for dispatch to the showroom had been kept in different places in the Head Office and a part of those goods had been lying idle in the Head Office up to 31 December 2012.

3:3 Idle and Underutilised Assets

The following observations are made.

- (a) The showroom, the building of 1,018 square feet valued at Rs.1.1 million together with machinery constructed by the Central Provincial Department of Small Industries and transferred to the Centre remained idle without being utilized for any purpose.
- (b) The Centre together with the Sri Lanka Tourism Development Authority had constructed a Common Facilities Center and a Rest in the Nattarampotha Kalapura Village and purchased the machinery for that at a cost of Rs.68,470,615 and handed over to a Crafts Society. But that remained idle over a period of 03 years.

- (c) Even though a sum of Rs.1,008,576 had been paid for the construction of the car park, sports ground and the side wall of the Common Facilities Centre of the Kalapura Village, that land had been lying idle without being used for any purpose. Even though a period of 03 years had elapsed after the break down of about 20 feet of the side wall constructed near the sports ground and the car park, that had not been repaired.
- (d) The machinery of the Leather Goods Section of the Common Facilities Centre valued at Rs.,5 million had been lying idle for about 02 years as an Instructor had not been appointed.
- (e) The officer in charge of the laboratory of the Nattarampotha Branch had proceeded abroad at the beginning of the year 2010 and that officer had not taken action to handover the inventory goods. According to the entries in the stock books, 79 inventory goods valued at Rs.145,089 and 48 chemicals valued at Rs.47,074 had been lying idle since the beginning the year 2010.

3:4 Staff Administration

The particulars of the staff of the Centre for the year 2012 are given below.

Category of Employees	Approved	Actual	Vacancies
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Executive level	01	01	--
Middle level	18	09	09
Secondary level	39	24	15
Primary level	46	35	11
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	104	69	35
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Action had not been taken to fill 09 vacancies in the middle level and 15 vacancies in the secondary level.

4. Accountability and Good Governance

4:1 Action Plan

Even though the Centre had prepared an Action Plan for the year under review, it had failed to achieve the expected objectives. Certain training programmes had not executed at all.

4:2 Procurement Plan

Even though the Centre had prepared and presented a Procurement Plan, for the year 2012 that had not been prepared based on the Action Plan of the Centre in terms of the National Budget Circular.

4:3 Budgetary Control

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

4:4 Internal Audit

Even though Internal Audit Programmes had been prepared for the year 2012, the internal audit had not been done according to the programmes.

5. Systems and Controls

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

- (a) Accounting
- (b) Balances Receivable and Payable
- (c) Assets Control
- (d) Budgetary Control
- (e) Conduct of Training Programmes