

Head 303 - Department of Textile Industries

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 2020 comprising the statement of financial position as at 31 December 2020 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 Chief Accounting Officer and Accounting Officer on 13 August 2021 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 Chief Accounting Officer and Accounting Officer on 21 October 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 give a true and fair view of the financial position of the Department of Textile Industry as at 31 December 2020 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

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those audit 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 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 that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the preparation of annual and periodic financial statements.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer/ Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's summary report 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 considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also;

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's/Department's /District Secretariat's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and control of the financial statements including disclosures, the whether the financial statements represent the underlying transitions and events in a manner that achieves fair presentations.

I communicate with the Chief Accounting Officer/Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

I express the following matters in terms of Section 6(1)(d) and Section 38 of the National Audit Act, No.19 of 2018.

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

1.6.1 Non-compliance of financial statements with Circular Provisions

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>(a) When showing the treasury imprest in the statement of financial performance, it should be shown the amount received from the Treasury and the additions made for other revenue officers separately in terms of Guideline No.06 issued by the Department of State Accounts. However, a sum of Rs.206,554,430 had been shown by adding the two values of imprest received amounting to Rs.193,320,778 according to the consolidated trial balance and the sum amounting to Rs.13,233,652 received for revenue officers.</p>	<p>It is shown under imprest receipts in the statement of financial performance by mistake.</p>	<p>Financial Statements should be prepared according to the Guidelines. The additions made for officers should be shown separately.</p>

1.6.2 Cash Flow Statement

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Even though revenue collection for other revenue accounting officers should be shown under the cash flow generated by the operating activities of the cash flow statement the same receipts amounting to Rs.13,233,652 had been shown by adding to the Treasury imprest.</p>	<p>It is informed that imprest receipts of the cash flow statement has been shown by mistake.</p>	<p>Other income additions made for Accounting Officers should be shown under the cash flow generated by the operating activities of the cash flow statement separately.</p>
<p>(b) A sum of Rs.9,494,124 incurred for other Expenditure Heads by the Department according to the consolidated trial balance had been shown in the cash flow statement as Rs.9,326,196 understating by Rs.167,928.</p>	<p>The sum amounting to Rs.10,418,164 spent by this Department in the year 2020 for other Ministries, Departments and other main ledgers and the net difference of the sum amounting to Rs.1,031,968 spent for this Department and under other main ledgers by the Expenditure Head in the year 2020, had been stated in the cash flow statement as a sum amounting to Rs.9,326,196. Accordingly, the values accounted are accurate.</p>	<p>In terms of Guideline No.06, the accurate amount spend for other Expenditure Heads should be shown in the cash flow statement.</p>
<p>(c) Even though recovery of advances amounting to Rs.4,167,987 and payments amounting to Rs.6,128,737 should be shown in the cash flow statement according to</p>	<p>According to the comparison of the balances pointed out by the audit on the Advances to Public Officers Account and the balances shown in the financial statements of</p>	<p>Recovery and payments of advances in the cash flow statement should be shown based on the consolidated trial balance.</p>

the trial balance of the Department, it had been prepared as Rs.3,029,034 and Rs.5,969,973 respectively that is based on the balances shown in the treasury chart No. SA-52

the Department, the values accounted in this Department are accurate.

2. Financial Review

2.1 Expenditure Management

Audit Observation

Comments of the Accounting Officer

Recommendation

Total net provision amounting to Rs.3,000,000 provided to the Object No.303-2-1-1-2001 had been saved.

Due to the reasons such as provisions provided under four Vote on Accounts in the year 2020, most areas of the Island has been declared as isolated areas time to time due to the prevailed Covid -19 condition and postal affairs has not been continuously carried out , it was failed to calling for bids for the estimates prepared for maintenance of buildings under Expenditure Head 2001.

The provisions provided should utilize efficiently.

2.2 Issuance and Settlement of Advances

Audit Observation

Comments of the Accounting Officer

Recommendation

According to Paragraph 1.1.7 of the National Budget Circular No.18 dated 11 October 2004, the debit balances arisen due to the transfer of an officer to another department should settled within three months. However, the balance not so done had been amounted to Rs.173,000.

Even though a written enquiry had been made on the non settlement of debit balances of the officers transferred out, it has not been settled even up to date. However, reminding letter has been sent to the same institution and prompt action will be taken to settle those debts.

Action should be taken in accordance with the provisions of Circulars.

3. Operating Review

3.1 Assets Management

Audit Observation

Comments of the Accounting Officer

Recommendation

The ownership of the lands which were constructed 05 buildings used by the Department had not been settled.

Requests have been made to the relevant Divisional Secretariat for the settlement of the land which the textile school situated and to the District Land Reform Authority –Matale for the settlement of the land which the Matale textile school situated.

Construction of buildings should be done after settling the ownership of the lands.

3.2 Management Weaknesses

Audit Observation

Comments of the Accounting Officer

Recommendation

The arrears of lease rental of 05 projects as at 31 December in the year under review was amounted to Rs.17,018,250. Even though legal advices were asked for the recovery of those arrears from the Attorney General's Department, follow up actions had not been taken on the progress of this matter.

Relevant documents has been referred to the Attorney General's Department and the future actions will be taken by the same institution.

Follow up actions should be carried out for the progress of recovery of the arrears and action should be taken to recover it.

3.3 Un resolved Audit Paragraphs

Audit Observation

Comments of the Accounting Officer

Recommendation

Collection of detailed data for the census of island wide textile industry at Grama Niladhari Division level was started in the

It had been stated that although provisions had been requested in the years 2020, 2021 by the budget estimates, the census

Census should be completed effectively to achieve the expected target as the estimate.

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 .

could Not be carried out as expected due to non-receiving of relevant provisions. However, action will be taken to complete the same census by obtaining provisions by the budget estimate in the year 2022.

4. Achievement of Sustainable Development Goals.

 The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) According to the Agenda 2030, granting NVQ level 4 for 5000 young and adults who have obtained technical and vocational skills for proper employments and entrepreneurship as at 2030 had been identified by the department as an objective. However, solutions had not been reached for the matters such as the entire capacity of 14 training schools existed had not been used in the year under review, follow up action had not been carried out on stagnation of trainees in the field and only one professionally accepted NVQ	Certificate for NVQ level III has been granted for one group. Granting of the same certificate for the remaining 13 schools is being implemented.	Action should be taken to achieve the identified objectives.

course had been identified .
Therefore, it was observed that it may be difficult to reach the expected objectives.

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| <p>(b) Another objective was to achieve the contribution of the industrial sector to the GNP to 10 per cent through increasing the contribution of the handloom textile field . Even though action has been taken to commence textile villages , it was observed that attention should have been taken in relation to the ability of reach the expected objective, due to the reasons such as contribution provided by the textile villages established up to date, the present condition of that villages and non commencement of 10 villages planned in the year under review.</p> | <p>Failure to carry out due to unable to supply handloom for the commence of textile villages as well as due to Covid pandemic.</p> | <p>Action should be taken to reach the expected objectives.</p> |
| <p>(c) It should be identified a based year to measure the progress of reaching objectives identified and the condition existed in that year as based data. However, it was not so done and the accuracy of that progress could not be affirmed due to the progress obtained in the year under review has been shown as a range between 0 per cent to 49 per cent in the annual performance report.</p> | <p>Action will be taken to measure the progress of the objectives identified in the future.</p> | <p>A based year to measure the progress of the objectives and it should be based on the condition existed in the same year .</p> |

5. Good Governance

5.1 Service Provided to the General Public

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Even though formulation of a Citizen/Client Charter in terms of Public Administration Circular No.05/2008 and 05/2008(i) dated 06 February 2008 and methodology for implementation and evaluation of relevant activities should be prepared by the Department, it had not been so done.	Activities on collecting data and reviewing thereon for preparation of Citizen/client charter has been commenced by now.	It should act in accordance with the provisions of Circulars.

5.2 Internal Audit

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
In terms of Section 40(1) of the National Audit Act, No.19 of 2018, an internal Auditor should be appointed by the Accounting officer . However, only the approval of the same position had been done during the year under review. Even though 02 audit and management committees should be conducted for the year 2020, only one session had been conducted.	A position of internal auditor had not been approved in the cadre and action is taken to approve that position. Request is made to the Ministry of Public Services, Provincial Councils and Local Government for requesting a suitable officer.	Action should be taken in terms of Section 40(1) and (2) of the National Audit Act, No.19 of 2018 .

6. Human Resources management

Audit Observation

Comments of the Accounting Officer

Recommendation

Out of 46 vacancies in secondary and primary level, only 15 positions of consultancy service had been recruited. However, action had not been taken to fulfill other vacancies.

Approval has been requested to the Department of Management Services and relevant State Ministry for the recruitment of new officers for the textile consultant. However, due to the policy decision taken by the Ministry of Finance that recruiting of employees temporarily suspended, delay in obtaining approval. After that recruitment has been made for 15 vacant positions and requests had been made from the relevant institutions for other positions.

Fulfilling of vacancies in the approved positions or revision should be done by reviewing the number of approved positions .