

Head 303 - Department of Textile Industries

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head 303- Department of Textile Industries for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended and notes to the financial statements, including material accounting policy 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 provisions of the National Audit Act, No. 19 of 2018. The Summary Report including my comments and observations on the financial statements of the Department of Textile Industries was issued to the Accounting Officer on 25 June 2024 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 05 July 2024 in terms of Section 11 (2) of the Audit Act. This report will be presented in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

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 Industries as at 31 December 2023 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 for the Financial Statements, are further described in the Auditor's Responsibilities 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 the Chief Accounting Officer and the Accounting Officer on Financial Statements

The Accounting Officer is responsible for preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal controls as the Accounting officer determines 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 to be prepared of the Department.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the 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 systems 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 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 are 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 judgment and maintain professional skepticism 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 controls 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 Department'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 content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the 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 the Section 6(1) (d) of the National Audit Act, No.19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) 1.6.2 recommendation made by me on the financial statements of the preceding year had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Presenting the Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Annual Financial Statement</p> <p>Although the annual financial statements should be presented to the Auditor General on or before 28 February 2024 as per the State Accounts Guideline No.05/2023 dated 30 November 2023, it had been presented to the Auditor General on 06 March 2024 after a delay of 07 days.</p>	<p>The officers should be informed to present with no delay.</p>	<p>The Annual Financial Statements should be presented to the audit as per the State Accounts Guideline.</p>
<p>(b) Reconciliation Statement on the Public Officers' Advance Account</p> <p>Although the Reconciliation Statement of the Public Officers' Advance Account should be presented to the Auditor General on or before 28 February 2024 as per the State Accounts Guideline No.03/2023 dated 07 November 2023, it had been presented to the Auditor General on 18 March 2024 after a delay of 19 days.</p>	<p>The officers should be informed to present with no delay.</p>	<p>Reconciliation Statements should be presented to the audit as per the State Accounts Guideline.</p>

1.6.2 Non-compliance of Financial Statements with Circulars Provisions

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The revised figures had not been shown in presenting the figures of the preceding year in the cash flow statement.</p>	<p>The cash flows related to the year 2022 were included in the cash flow statement and the cash flow statement was rectified.</p>	<p>The values of the cash flow statement should be shown correctly.</p>

1.6.3 Accounting Deficiencies

(a) Non-revenue Receipts

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) A sum of Rs. 1,200,000 remitted to the Treasury had not been indicated in the Statement of Financial Performance and the receipts of treasury imprests had been understated by Rs. 1,200,000.	The statement of financial performance is corrected.	The statement of financial performance should be prepared correctly.
(ii) As the revenue collected for other revenue heads and the recovery of advances had been overstated by Rs. 1,715,831 and Rs. 1,149,760 respectively in the Cash Flow Statement, the cash flow generated from the operation activities had been over-calculated by Rs. 2,865,591.	The cash flow statement was corrected.	The cash flow statement should be prepared correctly.

(b) Recurrent Expenditures

Audit Observation	Comments of the Accounting Officer	Recommendation
As the subsidiaries and changes had been overstated by Rs. 2,865,591 in the Cash Flow Statement, the cash flow spent on operating activities had been over-calculated by that amount.	The cash flow statement is corrected.	The Cash Flow Statement should be prepared correctly.

(c) Non-financial Assets

Audit Observation	Comments of the Accounting Officer	Recommendation
Even if 3 Power Loom Factories had been assigned to the Divisional Secretariats where those factories have been located, the value of those lands and buildings had not been removed from the Statement of Non-financial Assets.	The respective officers were informed to remove the value of these assets.	The statement of non-financial assets should be presented correctly.

2. Financial Review

2.1 Revenue Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Rs. 556,000 out of the overdue lease amount to be received from Yatinuwara Power Loom Factory for the 2000 – 2012 period has remained to be received further.	As per the approval of Small & Medium Enterprise Development Division, the permission has been granted to recover the amount of Rs. 2,156,000 overdue as at 09 November 2023 in 12 installments and a sum of Rs. 1,600,000 has been charged by 30 April 2024.	The arrangements should be made to recover the outstanding balances.
(b) A sum of Rs. 9,431,000 to be levied for the period from 1995 to 2000 and from 2016 to 2019 related to giving the land and buildings of Thalalla and Hingurakgoda respectively on lease basis had not been collected.	<p>The final inquiry letter in respect of taking legal actions to recover the overdue lease amount related to Tangalle Power Loom Factory was sent on 22 February 2024.</p> <p>The case filed related to the recovery of the lease overdue on the land and buildings of Higurakgoda Power Loom Factory has been withdrawn and the lessee was informed on 09 December 2023 to pay the arrears before 31 December 2023.</p>	The arrangements should be made to recover the outstanding lease amounts.
(c) An amount of Rs. 1,681,250 to be levied related to giving the land and the buildings of Bibila Power Loom Factory on lease had not been collected.	The case has been filed in the High Court of Western Province related to the recovery of outstanding amount.	The arrangements should be made to recover the outstanding lease amount.

3. Operating Review

3.1 Failure to obtain expected output

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Two students have been registered only in Katubedda Training Institute for six month course and the said course could not be conducted in all other 13 training institutes as the students had not been registered.</p>	<p>Although about a maximum of 15 students can be trained in one institute according to the physical space of the training institutes owned by the Department, the demand of the students for training courses has gradually been declined.</p>	<p>A program should be made to enrol a higher number of students.</p>
<p>(b) 19 students for Katubedda Training Institute to follow the Final Training Course, and 5 to 9 students for other 13 Training Institutes amounting to a total of 91 students had been registered.</p>		

3.2 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Taking over of 11 textile training institutes and 02 circuit bungalows to the department had not been done.</p>	<p>The lands of 03 training institutes owned by the Department of Textile have been taken over to the Department and the proceedings are underway to take over the lands of other institutes to the Department.</p>	<p>The actions should be taken to confirm the ownership of the assets.</p>
<p>(b) The Natural Dyeing Centre, Rajagiriya which is a land of 30 perches consisting of a guardroom and 02 buildings of which the title was not clearly identified,</p>	<p>Since it has been confirmed that this building; used by a legal transfer as per the requirement of the department, is a land</p>	<p>The assets should be utilized productively.</p>

remained unused for more than 3 years.

owned by the Divisional Secretariat of Sri Jayawardenepura Kotte, it was informed to carry out the transfer activities.

- (c) 185 handloom sets and 146 winding machines worth Rs.19,991,000 purchased in the year 2020 remained idle in Katubedda warehouse premises for a period of 3 years.

The steps are being taken to issue this stock of machines; purchased at a value of Rs. 19,991,000.00 for the textile industry village programs started in the year 2020, to the qualified beneficiaries.

The assets should be utilized productively.

4. Good Governance

4.1 Audit and Management Committee

Audit Observation	Comments of the Accounting Officer	Recommendation
Departmental Audit and Management Committee meetings had not been held for the year under review.	The Audit and Management Committees of the Ministry for the year 2024 have been established and the activities are in progress.	The departmental Audit and Management Committee meetings should be held as scheduled.