

Head 303 - Department of Textile Industries

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Department of Textile Industries for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 was issued to the Accounting Officer on 28 May 2025 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 27 June 2025 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Department of Textile Industries as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with the basis of preparation of financial statements set out in Note 01 of this financial statements.

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 responsibility for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of matter -Basis for the preparation of financial statements

The attention is drawn to the Note 1 related to the financial statements which describes the basis of preparation of these financial statements. The financial statements have been prepared for the use of the Treasury and Parliament and Ministry of Investment Promotion in accordance with Government Financial Regulations 150 and 151 and State Account Guidelines No. 06/2024 dated 16 December 2024 as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Textile Industries, General Treasury and the Parliament. My opinion in this regard is not modified.

1.4 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer are responsible for the 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 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.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 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 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 omissions, 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 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.

2. 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, (if not, mention so)
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

3. Financial Review

3.1 Revenue Management

Audit Observation	Comments of the Accounting Officer	Recommendation
A rent amount of Rs.11,437,450 was outstanding in relation to the leasing of four lands and four buildings owned by the Department of Textile Industries.	The lease agreements for the lands and buildings have been finalized , and action has been initiated to recover the outstanding rent as instructed by the Attorney General's Department.	Immediate action should be taken to recover the outstanding rent.

3.2 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even after the provision allocated for 03 recurrent expenditure items were transferred to other expenditure items under Financial Regulation 66, the net allocation of those expenditure items remained	The recurrent expenditure items and the reasons for the savings of provisions are mentioned under ACA 2(ii) of the financial statements, and the percentage of savings is only 4 percent out of the total recurrent expenditure	Provisions should be obtained considering practical circumstances and the provisions should be fully utilized.

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| | <p>within the range from 27 to 42 percent.</p> | |
| <p>(b) Even after transferring Rs.450,000 to other expenditure objects under Financial Regulation 66 from the provision of Rs.1,900,000 allocated for software development under the capital expenditure objects, the net provision for that expenditure object remained at Rs.1,450,000.</p> | <p>provisions for the year 2024 of the Department.</p> <p>Although Rs.1.4 million had been allocated for software development of the web site of the Department in the year 2024, bids were invited for the development of the website of the Department. The prices received were submitted to the Technical Evaluation Committee; however, further action could not be taken due to the non-receipt of the Technical Evaluation Committee's report.</p> | <p>The procurement timetable should be followed and the allocated funds should be fully utilized.</p> |
| <p>(c) Although an allocation of Rs.27,000,000 had been made on behalf of the existing buildings and constructions under capital expenditure objects and a further sum of Rs.5,000,000 had been transferred to this expenditure item under Financial Regulation 66, only Rs.295,190 had been spent as at 31 December 2024. As a result, 68 percent of the total net provision remained unutilized.</p> | <p>According to the estimation related to the renovation of the Katubedda Design Training School building, a sum of Rs.29,828,000 was transferred to the July and August 2024, and an amount of Rs.21,800,000 was transferred back to this Department on 31 December 2024. This provision has also been left unspent due to insufficient time for the procurement work required for another project.</p> | <p>The procurement timetable should be followed and the allocated funds should be fully utilized.</p> |

3.3 Non-compliance with Laws, Rules and Regulations

		Observation		Comments of the Accounting Officer	Recommendation
	Reference to Laws, Rules and Regulations	Value (Rs.)	Non-compliance		
(a)	396 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	544,731	The Department had not taken action in accordance with financial regulations regarding 28 cheques that had not been presented for payment for more than 06 months.	Instructions have been given to take action in accordance with the Financial Regulations regarding the unpaid cheques.	cheques that have not been presented for payment for more than six months should be dealt with in accordance with financial regulation.
(b)	Section 2.1 of National Budget Circular No. 01/2024 dated 10 January 2024	200,000	Provisions had been transferred under Financial Regulation 66 for the payment of overtime allowances and holiday payments.	Since the provisions allocated on deployment of currently employed officers on overtime, were insufficient due to the vacancy of approved staff posts, the provisions had to be transferred under Financial Regulation 66.	Necessary action should be taken against officials who have not acted in accordance with the budget circular.

4. Operating Review

4.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
During the year under review, 102 students had submitted applications for the Weaving Certificate Course to 14 Weaving Training Schools, out of which 67 students had participated in the course, but only 42 students had completed the course. Any student of the Watapuluwa, Matara, Thalawa and Katubedda training schools had not completed the course.	Although 102 eligible students submitted applications for the year 2024, only 67 students participated in the course. However, only 42 students appeared for the final examination. Student participation has decreased as planned, as referral to other jobs and recruitment for textile industry consultant positions have been suspended during the course. Although applications had initially been received for the Watapuluwa, Matara, Thalawa and Katubedda textile schools, those students dropped out during the course.	Measures such as providing job training should be taken to retain students enrolled in courses.

4.2 Annual Performance Report

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the Annual Performance Report should have been prepared in accordance with the format specified in Guideline 14, issued by the Department of Public Finance according to paragraph 10.2 of the Public Finance Circular No.2/2020 dated 28 August 2020, the Department had not prepared that report.	Although the preparation of the performance report was slightly delayed due to insufficient staff, the preparation of the performance report for the year 2024 is also currently in the final stage.	Action should be taken to prepare performance reports in accordance with the circular provisions.

4.3 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although the inventory survey report conducted at the Katubedda office reported the presence of 18 large dummies and 02 child dummies, the inventory survey had not been conducted regarding 30 dummies purchased for the 2024 National Handloom Textile Competition and Exhibition.	A survey of the goods has been conducted on the 30 dummies purchased in the year 2024 at the Katubedda office.	Stock survey should be conducted in a timely manner.
(b) 02 computer chairs, 09 ironing tables, 25 plastic chairs, 04 drawers, 02 cupboards and 02 bookshelves, which had been purchased and received as donations in the years 2016, 2020 and 2022 for distribution to textile training schools, remained idle in the storage area until the date of the audit, 27 January 2025.	The storekeeper was instructed to take action to distribute the 02 computer chairs, 09 iron tables, 25 plastic chairs, 04 locks, 02 cupboards, and 02 bookshelves available at the Katubedda office to the Development Officers attached to Textile Training Schools, guesthouses, and District Secretariat offices.	Items should be purchased only as required, and actions should be taken to ensure their effective utilization.
(c) The necessary steps had not been taken to assess and account for the value of 25 plastic chairs received as donations in 2021.	Officers were instructed to take steps to account for the assessed values in the year 2025.	Assets received as donations should be accounted for.
(d) Due to the failure to carry out the disposals (D) and sales (S) recommended during the survey of goods of other machinery and equipment including the office equipment, computer	The 2024 Inventory survey has been conducted and completed and the relevant officers were instructed to act on the recommendations of the previous years' inventory survey.	The recommendations of the stock survey should be implemented in a timely manner and the disposable assets

equipment and furniture belonging to the Department of Textiles and its training schools in a timely manner, the values of those items were not removed from the accounts. As a result, the value of other machinery and equipment under non-financial assets was incorrect at Rs.24,167,541.

should be removed from the accounts.

4.4 Losses and Damage

Audit Observation	Comments of the Accounting Officer	Recommendation
The yarn required for training courses and projects conducted through the Textile Training Schools had been stored in the Katubedda warehouse premises and out of that yarn stock, 105.640 kg and 420.540 kg of 2/80 grey and 2/80 white yarn had been remained as at 31 December 2024. During the audit conducted on 07 January 2024, it was observed that 28.84 kg of 2/80 grey yarn and 10.50 kg of 2/80 white yarn had been damaged beyond use. Further, the damage to these yarn stocks was directly affected by the poor cleanliness in the storage premises and the absence of a proper storage procedure, which led to insect infestation.	The Department is taking steps to make maximum use of the available resources and to maintain the warehouse premises properly and the storekeeper has been instructed to formalize the yarn storage process by using the racks or pallets currently available in other divisions of the Department. In addition, the storekeeper has been instructed to take necessary actions to implement a pest control system in appropriate areas of the warehouse to prevent insect infestations.	Formal methods should be introduced to safeguard the stocks in a manner that minimizes damage. Investigations should be conducted to identify individuals responsible for stock damage.

4.5 Uneconomic Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) During the COVID-19 pandemic, periodic 14 thermometers had been purchased on 30 December 2021 to be distributed to textile training schools, and 7 equipments out of them remained idle in the warehouse as of 2025 due to non-distribution to the training schools.	The Stores Officer was instructed to issue these thermometers, which were purchased during the COVID-19 pandemic period, to the relevant schools.	The relevant assets should be given to a party that can use them productively.
(b) At the inventory survey carried out as at 31 December 2024, it was observed that 07 4L bottles of sanitizer, 11 bottles of sanitizer, in small size and 13 bottles of vehicle cleaning liquid remained in the main office storage had been expired and the expenditure incurred on such purchases, without identifying the requirement, had become idle expenditure.	Since these materials, which were purchased for distribution to textile schools and officers attached to the Department during the COVID-19 pandemic period, have been expired, the relevant officers have been informed to take steps to dispose them at the inventory survey in this year.	Assets should be purchased based on requirements and necessary steps should be taken to use the purchased assets productively.

5. Good Governance

5.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
Although an internal auditor position had been approved, an internal audit had not been conducted due to the vacancies not being filled.	Although a request has been made to assign a suitable officer to act in the position until an Internal Auditor is appointed, the post of Internal Auditor still remains vacant.	Necessary steps should be taken to carry out an internal audit.

5.2 Audit and Management Committee

Audit Observation	Comments of the Accounting Officer	Recommendation
Audit and Management Committee meetings had not been held for the year 2024 in accordance with the provisions of Section 05 of the Management Audit Circular No. DMA/01-2019 dated 12 January 2019.	For the year 2025, departmental audit and management committees have been established and are actively functioning.	Audits and management committee meetings should be conducted in accordance with the Management Audit Circular.