

**TEXTILE TRAINING & SERVICES CENTRE**  
**Income Statement for the year ended 31st December 2002**

	2002	2002	2001	2001
<b><u>Revenue</u></b>				
Operating Income	26,502,064.50		17,154,263	
Interest Income	70,739.85		442,713	
Extra Ordinary income	99,701.43	<b>26,672,505.78</b>	<u>21,504</u>	<b>17,618,480</b>
<b><u>Less-Expenses</u></b>				
<b><u>Administration &amp; General Expenses</u></b>				
<i>Personal Emoluments</i>	14,033,370.41		15,613,794	
<i>Human Resources Development</i>	108,150.19		284,945	
<i>Staff Welfare</i>	649,004.42		<u>649,832</u>	
	<b>14,790,525.02</b>		<b>16,548,571</b>	
<b><u>Operating &amp; Maintenance Expenses</u></b>				
<i>Cost of Services Rendered</i>	5,151,846.61		4,221,008	
<i>Cost of consumption</i>	3,205,460.23		1,991,184	
<i>Repairs &amp; Maintenance</i>	752,417.86		956,998	
<i>Others</i>	735,756.53		<u>779,214</u>	
	<b>9,845,481.23</b>	<b>24,636,006.25</b>	<b>7,948,404</b>	<b>24,496,975</b>
<i>Excess Income Over Expenditure Before-Provisions &amp; Depreciations</i>		<b>2,036,499.53</b>		<b>-6,878,495</b>
<b>Add-Government Grant</b>	3,030,000.00	<u>3,030,000.00</u>	<u>9,626,000</u>	<u>9,626,000</u>
<i>Less-Provisions</i>	669,759.00	5,066,499.53	493,681	2,747,505
<i>Depreciations</i>	13,107,947.15		12,465,408	
Amortization of Development cost	104,013.00	<u>13,881,719.15</u>	<u>111,936</u>	<u>13,071,025</u>
Excess Expenditure over income		<b>(8,815,219.62)</b>		<b>-10,323,520</b>
.....				
<b>Accountant</b>				
<b>Director</b>				

## *Introduction*

The Textile Training & Services Centre is a statutory body, functioning under Ministry of Enterprise Development, Industrial Policy, Investment Promotion and Constitutional Affairs. The services namely Training, Testing, Consultancy etc. catered mainly to Textile, Garment and Allied Industries.

The Centre is governed by Board of Governors and the members are represented from specified institutions and industries, in according with the provisions of the Act.

The structure of Centre consists of divisions namely Spinning, Weaving and Handloom, Knitting, Processing, Engineering, Testing, Management, Administration and Finance. The technical divisions are committed to provide Training, Consultancy and other services while the testing laboratory provides testing services to the requirements of both local and international buyers. The workshop are equipped with the modern machinery/equipments. Testing laboratory is equipped with state of Art Testing Equipment, achieved ISO 17025 certification. The majority of cadre is professionally qualified in the field of Textile, Garment and Management. The Centre consider Human Resources as an asset and it has been facilitating to upgrade knowledge and skill of staff in modern techniques to meet future challenge.

## *Historical Note*

During 1981, the UNDP/UNIDO conducted a survey on Textile Industry in Sri Lanka. It was found in the survey that the workforce had not received any formal education and training in the particular field. Further it was indicated that technical and managerial problems had not been attended in systematic manner, and research and development, Training had not been handled effectively.

It was against this background in 1984 establishment called "Textile Training and Services Centre" was set up under Parliament Act. No. 04 with assistance of UNDP through UNIDO.

The infrastructure and Management divisions was set up under phase 01 and 02 of UNDP/UNIDO assistance and continued the assistance till 1991, in addition the fund is also given by Treasury for operations.

After the Centre is developed as a complete operational organization, it commenced to generate funds by servicing the Industries and new entrants to the Industry.

The Earning generated by Centre has been increasing steadily over the years and it shows positive trend to reaching towards the self sustaining.

## *VISION*

“To establish itself as a Centre of Excellence in Textiles and Clothing in the region and to become the Principle Resource Point for Textiles and Clothing in Sri Lanka”.

## *MISSION*

"Our Corporate Mission is to continuously develop Human Resources, provide professional services and Accurate Testing to meet the Changing Needs of the Textile, Clothing and Allied Industries"

## *Financing*

At commencement Government has continued to fund the recurrent and capital expenditure of the Centre. Subsequently the Centre started to generate income and thus was able to contribute to meet the part of recurrent expenditure.

Today after 18 years, since commenced operation, Centre could achieve a income to cover up total Recurrent Expenditure. As the total income was not realized, 12% of total recurrent expenditure had to be drawn from Government to fund the Recurrent Expenditure.

## *The Board of Governors*

The Board of Governors are entrusted the power to make decision on policy and legislation of the Centre and Director executes the decision of the Board.

The Board Meeting is held each month and they review the progress activities and set guideline for operation of the Centre.

### The Board as on 31/12/2002

Mr. Ranjith Fernando	Chairman	Secretary Ministry of Enterprise Development, Industrial Policy and Investment Promotion	
Mr. Lalith R de Silva	Member	Representative General Treasury	
Mr. V.A. Nandasena	Member	Representative, Textile Institute of Sri Lanka	
Mr. S. Galhena	Member	Representative, Handloom Manufacturer Association	
Mrs. Rani Rajapaksa	Member	Representative, Ministry of Tertiary Education and Training	
Mr. C. Amalean	Member	Representative, Garment Exporters Association	
Mr. Nimal Perera	Member	Representative, Ceylon Textile Manufacturers Association	
Mr. H.K. Caldera	Member	Personal Capacity	} Minister appointed Members
Prof. L.D. Fernando	Member	-do-	
Mr. D.P. Gunawardena	Director		
Mr. M.P. Kannangara	Board Secretary		

## *The Staff - 31.12.2002*

The total staff strength is 69.

### Functional Distribution of Staff are as

Category	Management and Operation	Technical/ Operation	Marketing	Finance	General/ Administration
Consultant	-	01			
Employees	01	41	01	04	19
Casual/ Trainee	-	01			01

Director - Mr. D.P. Gunawardena - C.Text, FTI  
Accountant - Mrs. M.P.H. Abeykoon - ACMA, APFA  
Administrative Manager - Mr. M.P. Kannangara - B.Sc.

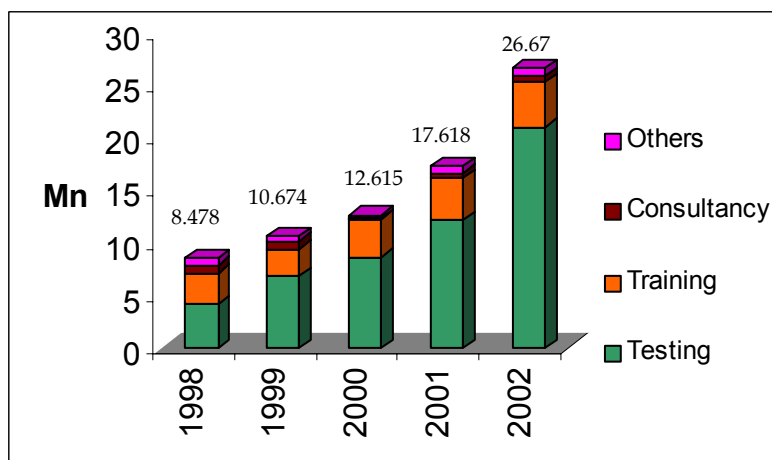
### Senior Staff (Technical)

Mr. A.H.H. Saheed - MCIM  
Mr. D. Liyanapatabandi - B.Sc, C. Text., ATI  
Mr. J. De Silva - C.Text, ATI  
Mr. D.N.S. Kuruppumullage - C.Text, ATI, MIM (SL)  
Mr. N.W.S. Kumarasena - B.Sc  
Ms. D.M.S. Dissanayake - C.Text, ATI  
Mrs. W.I. Samarasinghe - C.Text., ATI  
Mr. M.W.V.D.N.S. Wijewickrama - NDT (Eng)  
Mr. S.G. Vidanage - Eng. Degree (AMIE (SL)  
Mr. S. Ilangovan - B.Sc  
Mr. G.K.K.S. Kumara - B.Sc  
Mrs. M. Dolaphihilla - B.Sc, MSc.

## REPORT ON FINAL ACCOUNTS

### INCOME

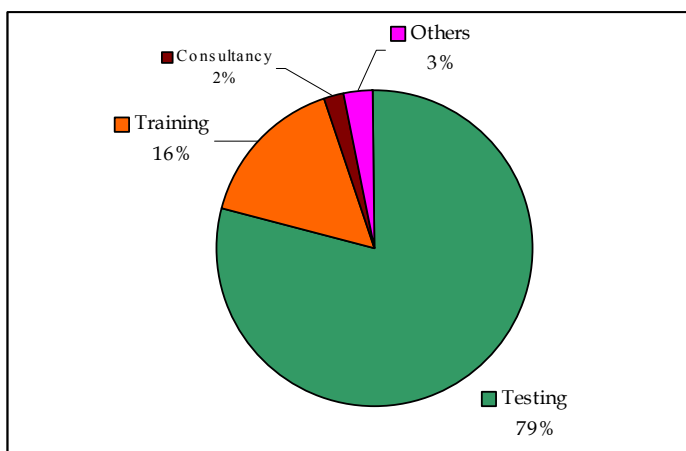
The Centre recorded the financial income of Rs. 26.67 Mn for the year under review, compared to Rs. 17.62 Mn earned in 2001. The income for the year grew by Rs. 9.05 Mn, i.e. 51%, over the last year. The operating income represented 99% of total income generated from the services of the



Centre, namely Testing, Training, Consultancy and other miscellaneous operation. The interest and extra ordinary income accounted the balance 1% of total income.

### OPERATING INCOME

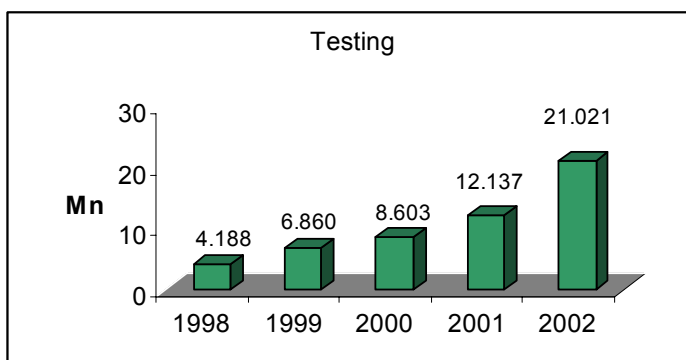
Testing has continued to be the main source of income earner and accounted 79% of operating income.



Testing income for the year was Rs. 20.98 Mn, compared to Rs. 12.14 in 2001.

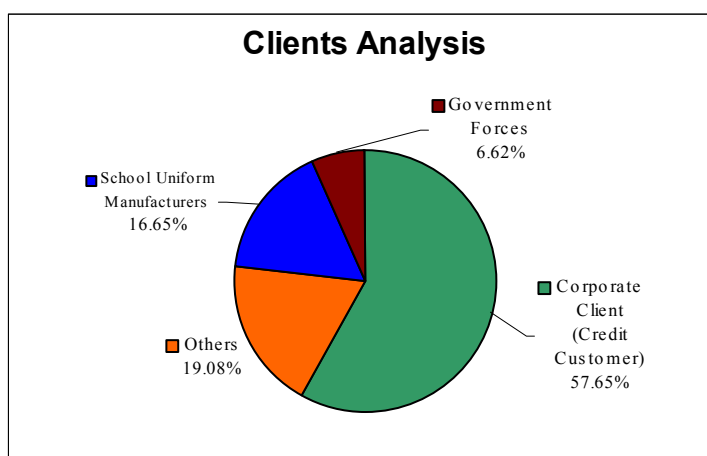
The overall growth of total income was Rs. 9.05 Mn, while testing income itself recorded growth of Rs. 8.8 Mn, compared to figures recorded in previous year.

Testing income showed this remarkable achievement, by continuing and enhancing the services to our corporate clients, Government Forces/Institutions and the local uniform manufacturers under the Government Programme on "free uniform to school children". Testing



Laboratory of the Centre has well established and recognized in the local and international apparel sector. In addition to existing ISO Certification, Laboratory could obtain following accreditation in the year under review.

- Tesco
- Bhs
- Ethel Austin



Second income earner is Training, which showed marginal growth during year. Training generated income of Rs. 4.3 Mn in 2002 compared Rs. 4 Mn in 2001, i.e. growth by Rs. 0.3 Mn - 7.5%. In spite of downward trends in Textile Industry in Sri Lanka, Centre could manage to maintain positive trend on Training Income over the year. Centre has diversified training activity to garment, and other allied industries, to suit requirement of the respective industry.

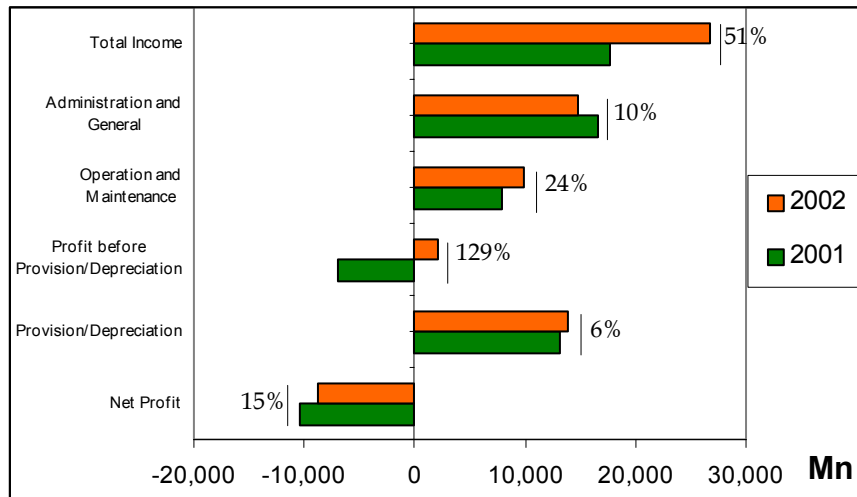
Income from consultancy recorded slight increase. Consultancy is the area which can be developed to exploit the opportunity available in the industry. In order to fill this gap management is in the process to update the knowledge and skill of technical expertise and strengthen other expertise of the centre. Then centre will be able to footing to industry successfully for the professional assistance.

Total Financial Income not only met the annual target, but also exceeded the target by Rs. 4.4 Mn in the year under review.

### COMPARISONS OF INCOME AND EXPENDITURE STATEMENT 2002/2001

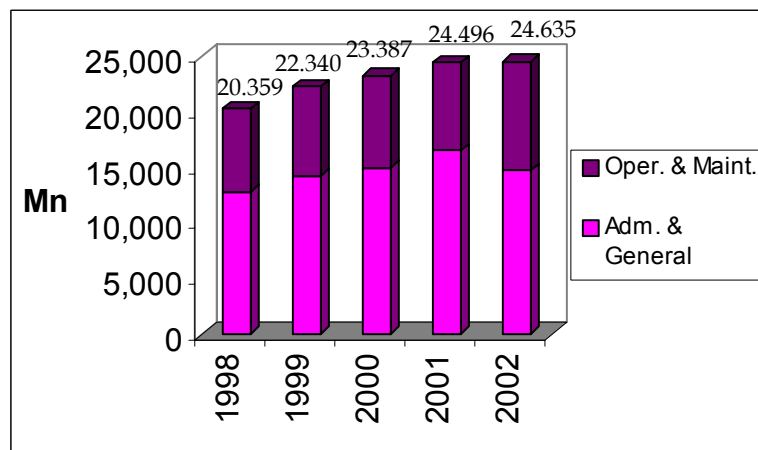
<b>Income</b>	<b>2002</b>	<b>2001</b>
<b><u>Income</u></b>	<b><i>Rs. Mn.</i></b>	<b><i>Rs. Mn.</i></b>
Operating Income	26.5	17.16
Other Income	0.170	0.462
<b><i>Total Income</i></b>	<b>26.67</b>	<b>17.62</b>
<b><u>Expenditure</u></b>		
Administration and General	14.79	16.55
Operating and Maintenance	9.85	7.95
<b>Total - Recurrent Expenditure</b>	<b>24.64</b>	<b>24.49</b>
Excess Income over Recurrent Expenditure	2.036	(6.878)
Less Provin/Depreciation	13.881	13.071
Add Government Contribution	3.030	9.626
Excess Expenditure over income	8.815	10.323

As shown in above Table, the Financial Income generated by the Centre has grown by Rs. 9.05 i.e. 51%, while total recurrent expenditure slightly increased by Rs. 0.15 Mn i.e. 0.6%. Therefore centre could make a profit of Rs. 2 Mn



in 2002, compared to the loss of Rs. 6.878 Mn made in 2001. Centre could not only cover the expenditure on day to day operations but to made a excess for long term commitments arisen in the future. Centre increased Income and comparatively low recurrent expenditure have mainly contributed to record a profit in the year under review.

The recurrent expenditure is consisted of Administration/General and operation and Maintenance Expenditure and accounted 60% and 40% respectively. Administration and General Expenditure dropped by 10% while other main category grew by 24% - Administration



and general expenditure recorded negative growth mainly due to significant drop in cost of staff incentive and due to only marginal increase of cost salaries. In year 2002, payment of staff incentive was limited and no payment was done for second half of the year 2002. Over the years, until 2001 25% of income was distributed to staff as incentive. The strategic decision makers and General Treasury are in view that the incentive should not be adversely affected to the profitability of the organization. However a incentive payment should be made to staff to keep up the moral of staff. From year 2003 onwards, Centre will formulate new incentive scheme to the staff. Otherthan the different in cost of staff incentive in two years, the cost of salary and payments to staff for working on holidays have gone up slightly. The cost of salary increased for annual increment to staff, and whereas no increase in cadre.

Training programmes were compelled to schedule on weekends as the centre was mainly serving for industry and not for school levers. Therefore payment to staff for working on holidays has shown material increase, under the category of administration and general expenses.

Operating and maintenance expenditure increased by 24%, mainly due to higher cost of services rendered to centre, such as electricity, communication, insurance and purchase of lab chemical. The procurements to lab was gone up significantly and major portion of procurements were imported during the year. Fluctuation of exchange rates with devaluation of Rupee has adversely affected to cost of imports.

Cost of repair and maintenance have gone up, due to higher cost on maintenance of lab equipment, photocopy machines, air conditioners and vehicle etc. The expenditure categories such as staff welfare miscellaneous expenses were managed within Budget and not recorded significant increase on those.

The profit earned before provision and depreciation has turned to Net loss Rs. 11.85 Mn, after including provisions/depreciation. The loss was further neutralized to Rs. 8.82 Mn by adding the Government grant taken for operation for the year amounting to Rs. 3 Mn.

At the end Centre recorded a net loss of Rs. 8.815 Mn, compared to net loss of Rs. 10.323 Mn in 2001, which was a decrease of 14.6%. The Government Grants to operate over the 2 years has shown a decline of Rs. 6.6 Mn. In spite Rs. 3.30 Mn drawn from Government to finance the recurrent expenditure, the earned income not only covered the recurrent expenditure, but made a excess of Rs. 2.03 Mn in the year under review. In funding it operation, over the year, Centre had to draw funds from allocated grant as the part of income has not recovered during the year and served the clients on credit basis.

## FINANCIAL STRUCTURE - 2002

Government Capital and Reserve  Rs. 89.24	Fixed Asset  Rs. 83.51
L. Liabilities Rs. 3.54	Current Asset Rs. 13.63
C. Liabilities Rs. 4.36	

Fixed Asset base consists of net value of Fixed Asset of Rs. 83.51 Mn and Advance payment of Rs. 73,000. Total capital expenditure during the year was Rs. 8.8 Mn and invested on building, testing and training equipments and computer. The Government contribute for the capital expenditure was Rs. 5.25 Mn and balance investment from foreign donor agencies namely UNIDO and JICA.

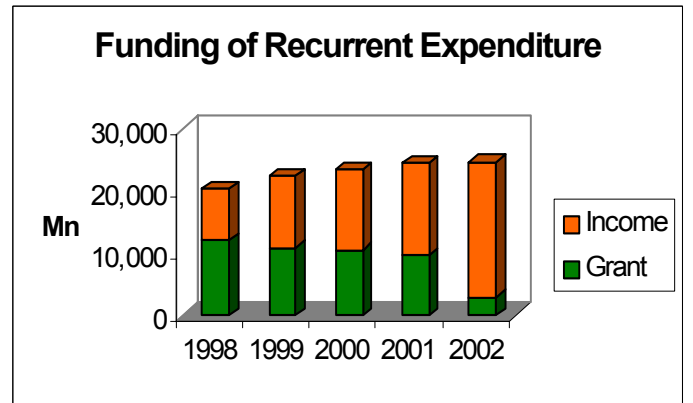
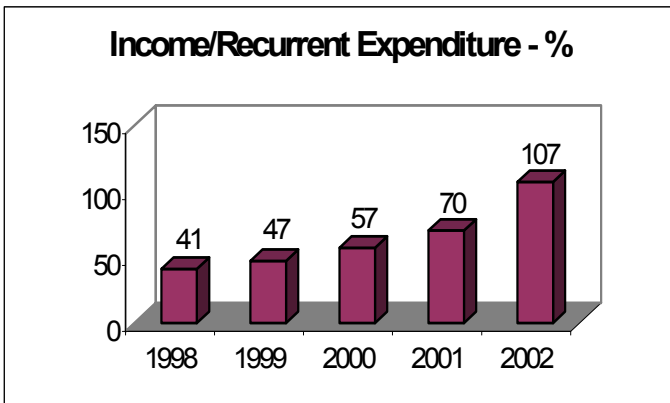
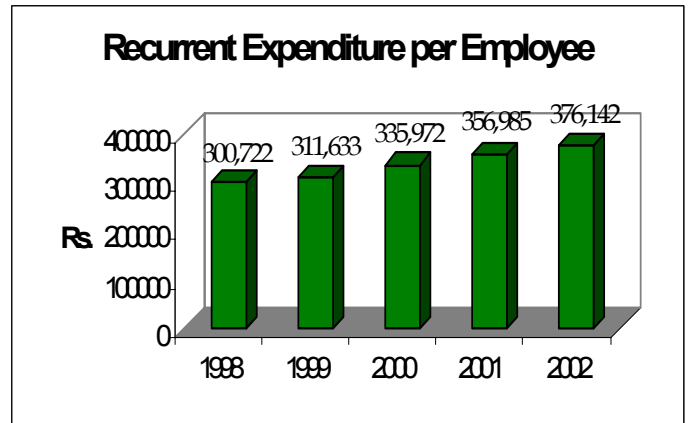
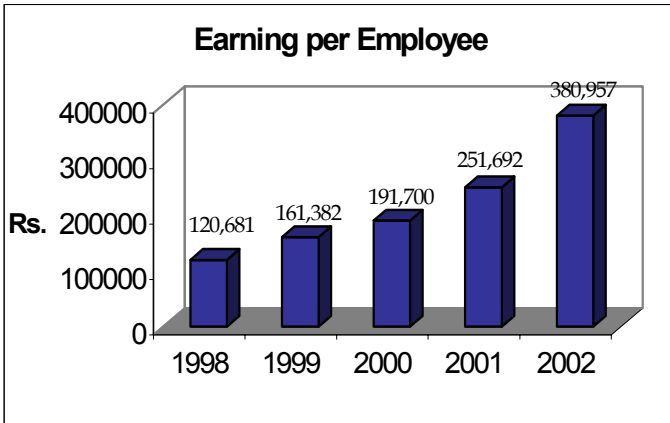
Current Asset has gone up from Rs. 10.762 Mn to Rs. 13.63 Mn, mainly due to increase in stocks and debtors balance at the end of year. As the major part of procurement for lab was to be imported the comparatively higher stock was maintained to avoid delays. The debtor balance at the end of financial year was comparatively high as the Centre was working on special assignment on school uniform. In-spite of high balance of trade debtor and stock the liquidity position on of Centre is very healthy over the year. At the end of year, centre could carry cash book balance of Rs. 1.8 Mn, compared to Rs. 0.9 Mn in 2001.

Equity and reserve balance before charging accumulated loss made over the year has gone up from Rs. 184.728 Mn to Rs. 190.395 Mn, with Government contribution of Rs. 2 Mn in 2002 and foreign aid of Rs. 3.67 Mn from UNIDO/JICA. However equity and reserve has dropped from Rs. 91.917 Mn to Rs. 89.243 Mn, after changing accumulated loss of Rs. 101.153 Mn results from operation over the year.

According to the financial structure the fixed asset base serviced from equity/ reserve.

Current Asset to current liabilities of Ratio is 3.12 times, compared to 2.14 times in 2001.

## PERFORMANCE INDICATORS





10.03.2003

The Auditor General  
Auditor General's Department  
Independence Square  
Colombo 07

Dear Sir

**Auditor General's Report on the Accounts of the Textile Training and Services Centre for the year ended 31st December, 2002, submitted under Section 14 (2) (c) of the Finance Act No. 38 of 1971.**

We submit below our reply in respect of the matters raised in your above report.

**2.3 Expressing views on the Accounts**

**2.3.1 Accounting Policies**

- (a) As the Accountant left the services, he had completed all the other accounting work but had failed to submit the cashflow statement, before leaving the service.
- (b) As laboratory equipment purchased during previous years were entered under Furniture Fittings and Equipment, the laboratory equipment purchased this year too was entered under the same account. It has been noted to enter laboratory equipment under a separate account with 20% depreciation from next year.

**2.3.2 Accounting Deficiencies**

- (a) Lanka Fabrics is a state owned institution, marketing handloom textiles. This stock of textiles had been handed over on the basis of making payment after sale and the necessary entries of the transaction have been made. Therefore, it has not been recorded as a value due.
- (b) Action has been taken to settle the sum so far remaining unsettled, in 2003.
- (c) As both these items of equipment were imported during the same period, they have been recorded at a lower and higher figure due to an accounting lapse.

- (d) This difference has arisen in comparing the balance of the consolidated profit and loss account with the balances for the year under review.

### **2.3.3 Lack of evidence for audit**

Quotations had been called for the printing of the annual report and when handing over the cheque, signature had been obtained on the relevant voucher acknowledging its receipt.

Cost estimates had been prepared for the preparation of the exhibition hall. The relevant payments had been made for this purpose and the signature obtained on the voucher. In the audit pertaining to the laboratory, receipt for the payment made to the audit firm had not been sent by them. It is intended to send them a reminder on this matter.

### **2.3.4 Non-compliance with Laws, Rules and Regulations and Management Decisions**

This Scholarship Fund has been shown in a Reserve account since 1991.

It has not been possible to submit the cashflow statement together with the accounts as explained in 2.3.1 (a) above.

No one has been recruited for the post of Telephone Operator. Under the National Apprenticeship and Industrial Training Authority (NAITA) training scheme, on-the-job training facilities have been provided for one trainee. She is being paid a daily allowance of Rs. 150/- for days she attend training.

The balance sum of Rs. 5,000/= out of the deposit of Rs. 10,000/- which had to be made by the person who conducts the canteen, was obtained this year.

## **3. Uneconomical Transactions**

- (a) Although the institution which supplies fire alarm equipment to the laboratories were informed on several occasions about this matter, no response has been received from them. Therefore, the balance payment which should be made by us, has not been made yet.

- (b) This exhibition is held as a service in order to encourage new designs in handloom products. The income received has been by sale of articles produced in creating new designs.

**3.1 Transactions not supported by adequate authority**

- (a) The policy of providing transport facilities to senior executive officers has been in practice for about 12 years now. Most of the senior officers have left the service and only a few are left. Not a single of them resides less than 6 km away.
- (b) As this sum of Rs. 38,500/=, it is our view that the Director's approval is sufficient.
- (c) There was a stock of finished products accumulated in the course of creating designs in the National Handloom Centre. With the objective of turning this stock into money, this stock has been handed over to the state owned Lankan Fabrics on the basis of making payment after sale. In handing over this stock, the signature of the manager of that institution has been obtained. Also, the price at which they should be sold has been marked on every item. Action has been taken to get back the items which are not sold.
- (d) In previous years, the interest from the scholarship fund has been shown as an item of income. But this year (2002) it has not been entered in the accounts and the money in the scholarship fund has been shown only in the balance sheet.

**3.2 Improper Transactions**

Our view is that tender procedure has been followed in respect of the canteen tender.

In releasing retention money, the recommendation of the civil construction consultancy company and, in addition, the approval of an officer of the Textile Department handling such civil construction work, had been obtained.

Thank you.  
Yours faithfully,

Sgd./D.P. Gunawardena  
Director  
Textile Training and Services Centre



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கணக்காய்வாளர் தலைமை அலுவலகம்



**AUDITOR-GENERAL'S DEPARTMENT**

මගේ අංකය  
எனது இல.  
My No.

PLT/TTSC/FA/2002

ඔබේ අංකය  
உமது இல.  
Your No.

TEXTILE TRAINING & SERVICES  
CENTRE

දිනය  
திகதி  
Date

28 March 2003

28 APR 2003

RECEIVED

The Chairman,  
Textile Training and Services Centre

**Report of the Auditor General on the Accounts of the Textile Training and Services Centre for the year ended 31 December 2002 in terms of Section 14 (2)(c) of the Finance Act No. 38 of 1971.**

The audit of accounts of the Textile Training and Services Centre for the year ended 31 December 2002 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 Section 13 (1) of the Finance Act No. 38 of 1971 and Section 25(2) of the Textile Training and Services Centre Act No. 4 of 1984. My observations which I consider should be published with the annual report of the Centre in terms of Section 14 (2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act will be forwarded to the Chairman of the Centre in due course.

1:2 Scope of Audit

Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and the extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards, methods and practices to obtain reasonable assurance as to whether the financial statements are free of material misstatements. The audit included examination of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles and significant estimates and judgements made in the preparation of financial statements, evaluation of their overall presentation and determining whether accounting policies adopted were appropriate, consistently applied and adequately disclosed. Sub-sections (3) and (4) of Section 13 of the Finance Act No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and extent of the audit.

දිනය  
திகதி  
Date

சுதந்திர சதுக்கம்,  
கொழும்பு 07, இலங்கை

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E-mail } oaggov@sltnet.lk

2. Accounts

2:1 Audit Opinion

Except for the effects of the adjustments arising from the matters referred to in paragraph 2:3 of this report, I am of opinion that the financial statements have been satisfactorily prepared to present fairly in all material respects, the financial position of the Centre as at 31 December 2002 and the results of its operations for the year then ended in accordance with Sri Lanka Accounting Standards other than the standard referred to in this report.

2:2 Financial Results

According to the accounts presented, the working of the Centre for the year under review had resulted in a deficit of Rs.8,815,220 as compared with the corresponding deficit of Rs.10,323,520 for the preceding year.

2:3 Comments on Accounts

2:3:1 Accounting Policies

- i. Accounting policies adopted by the Centre had not been disclosed in the accounts.
- ii. Laboratory equipment valued at Rs.4,133,909 purchased during the year under review had been brought to account under furniture, fixtures and equipment at a depreciation percentage of 10.

2:3:2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The balance stock of hand-loom textiles valued at Rs.106,630 out of the hand-loom textile production during the year under review had been handed over to a private institution in December 2002, without the approval of the Board. However, the value of receivable for that stock had not been shown in the account.

2:3:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

- (i) A Fund had been established for awarding of scholarships to the officers of the Centre and a sum of Rs.2,633,913 had been transferred to that Fund without obtaining the approval of the appropriate Minister with the concurrence of the Minister of Finance in terms of Section 10(2)(e) of the Finance Act, No. 38 of 1971.
- (ii) A Cash Flow Statement had not been furnished with the accounts in terms of Sri Lanka Accounting Standard 9.
- (iii) A sum of rs.19,575 had been paid during the year under review as salaries of a Telephone Operator appointed contrary to the provisions in the Management Services Circular No. 14 of 03 January 2002 of the Secretary, Ministry of Finance.
- (iv) A security deposit of Rs. 5,000 for running the canteen had been accepted by the Centre instead of Rs.10,000 that should be deposited in terms of Section 21 of the instructions and conditions for the running of the canteen.

3. Financial and Operating Review

- 3:1 The financial results of the activities of the Centre for the year under review was a deficit of Rs.8,815,220 as compared with the previous years deficit of Rs. 10,323,520 showing an improvement in financial results by Rs.1,508,300.

3:2 Performance

The performance of the Centre during the year under review as compared with the preceding year is given below.

Courses conducted and Tests carried out

	2002	2001
	-----	-----
(a) No. of courses conducted	90	99
(b) No. of Participants	1010	1052
(c) No. of Tests carried out	22,319	20,223
(d) Income from Training Courses (Rs.M)	4.30	3.99
(e) Income from Tests (Rs.M)	20.9	12.14

3:3 Uneconomic Transactions

Although a sum of Rs. 73,369 had been paid during the year 2001 to a company for the installation of fire alarms in the laboratories of the Centre, the supplies could not be used as the company had supplied only a part of the equipment. Action had not been taken up to the date of this report to obtain the equipment commensurate with the payment made to the company.

3:4 Transactions not-supported by Adequate Authority

- (a) Even when a hired vehicle was being used to provide transport to all employees of the Centre for a distances of 1 1/2 kilometres from the Galle road to the Centre a sum of Rs.209,000 had been spent during the year under review for the hire of a motor vehicle to provide transport facilities to 04 Executive Officers of the Centre between their residences and office, contrary to the provision in the Public Administration Circular No. 22/99 of 06 October 1999.

- (b) The Scholarship Fund had been consolidated with the accounts of the Centre for the year under review despite the order made by the Committee on Public Enterprises at their meeting held on 08 May 2002 that if the Scholarship Fund comprises contributions of the officers of the Centre, its accounts should be maintained separately and should not be consolidated with the accounts of the Centre.

### 3:5 Inappropriate Transactions

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All the matters relating to the contract for the construction of a canteen in an existing building had been dealt with by the Tender Board of the Centre contrary to the provisions in the Guidelines on Government Tender Procedure that precludes the Department Tender Boards dealing with contracts costing over Rs. 2 million.

Payments amounting to Rs. 3,696,041 and Rs.519,390 made during the years 2001 and 2002 respectively included extra works valued about 15 percent. There was no evidence that the services of an officer with the competence of a Civil Engineer had been obtained in releasing the retention money. Further the Centre had failed to furnish evidence that the contracting firm had forwarded the tender in accordance with the tender notice.

### 4. Systems and Controls

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Special attention is needed in respect of the following areas of control.

- (a) Accounting for Fixed Assets
- (b) Policy on Depreciation
- (c) Supplies and Services
- (d) Construction Works and Tender Procedure

  
(S.C. Mayadunne)

Auditor General

-/dk.

2. Accounts

2:1 Audit Opinion

Except for the effects of the adjustments arising from the matters referred to in paragraph 2:3 of this report, I am of opinion that the financial statements have been satisfactorily prepared to present fairly in all material respects, the financial position of the Centre as at 31 December 2002 and the results of its operations for the year then ended in accordance with Sri Lanka Accounting Standards other than the standard referred to in this report.

2:2 Financial Results

According to the accounts presented, the working of the Centre for the year under review had resulted in a deficit of Rs.8,815,220 as compared with the corresponding deficit of Rs.10,323,520 for the preceding year.

2:3 Comments on Accounts

2:3:1 Accounting Policies

- i. Accounting policies adopted by the Centre had not been disclosed in the accounts.
- ii. Laboratory equipment valued at Rs.4,133,909 purchased during the year under review had been brought to account under furniture, fixtures and equipment at a depreciation percentage of 10.

2:3:2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The balance stock of hand-loom textiles valued at Rs.106,630 out of the hand-loom textile production during the year under review had been handed over to a private institution in December 2002, without the approval of the Board. However, the value of receivable for that stock had not been shown in the account.

2:3:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

- (i) A Fund had been established for awarding of scholarships to the officers of the Centre and a sum of Rs.2,633,913 had been transferred to that Fund without obtaining the approval of the appropriate Minister with the concurrence of the Minister of Finance in terms of Section 10(2)(e) of the Finance Act, No. 38 of 1971.
- (ii) A Cash Flow Statement had not been furnished with the accounts in terms of Sri Lanka Accounting Standard 9.
- (iii) A sum of rs.19,575 had been paid during the year under review as salaries of a Telephone Operator appointed contrary to the provisions in the Management Services Circular No. 14 of 03 January 2002 of the Secretary, Ministry of Finance.
- (iv) A security deposit of Rs. 5,000 for running the canteen had been accepted by the Centre instead of Rs.10,000 that should be deposited in terms of Section 21 of the instructions and conditions for the running of the canteen.

3. Financial and Operating Review

- 3:1 The financial results of the activities of the Centre for the year under review was a deficit of Rs.8,815,220 as compared with the previous years deficit of Rs. 10,323,520 showing an improvement in financial results by Rs.1,508,300.

## 3:2 Performance

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 The performance of the Centre during the year under review as compared with the preceding year is given below.

Courses conducted and Tests carried out

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	2002	2001
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(a) No. of courses conducted	90	99
(b) No. of Participants	1010	1052
(c) No. of Tests carried out	22,319	20,223
(d) Income from Training Courses (Rs.M)	4.30	3.99
(e) Income from Tests (Rs.M)	20.9	12.14

3:3 Uneconomic Transactions

Although a sum of Rs. 73,369 had been paid during the year 2001 to a company for the installation of fire alarms in the laboratories of the Centre, the supplies could not be used as the company had supplied only a part of the equipment. Action had not been taken up to the date of this report to obtain the equipment commensurate with the payment made to the company.

3:4 Transactions not-supported by Adequate Authority

- (a) Even when a hired vehicle was being used to provide transport to all employees of the Centre for a distances of 1 1/2 kilometres from the Galle road to the Centre a sum of Rs.209,000 had been spent during the year under review for the hire of a motor vehicle to provide transport facilities to 04 Executive Officers of the Centre between their residences and office, contrary to the provision in the Public Administration Circular No. 22/99 of 06 October 1999.

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### 4. Systems and Controls

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Special attention is needed in respect of the following areas of control.

- (a) Accounting for Fixed Assets
- (b) Policy on Depreciation
- (c) Supplies and Services
- (d) Construction Works and Tender Procedure

  
(S.C. Mayadunne)

Auditor General

-/dk.