

Sri Lanka Arts Council - 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 Sri Lanka Arts Council as at 31 December 2012 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles .

1:2 Comment on Financial Statements

1:2:1 Accounting Policies

The cash flow statement and statement of changes in equity which should be prepared while furnishing the financial statements had not been prepared and furnished.

1:2:2 Accounting Deficiencies

The value of books and periodicals costing Rs.673,651 remaining as balance as at end of the year under review had not been included in the accounts.

1:2:3 Lack of Evidence for Audit

The following items could not be satisfactorily verified due to non-rendition of relevant evidence for audit.

Item	Value	Evidence not furnished
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	Rs.	
Bank balance	613,353	Confirmation of balances
Fixed deposits	500,000	Confirmation of balances and fixed deposit certificates
Office equipment	440,341	Register of inventory, Board of Survey Reports
Furniture and tools	7,725	- do -

1:2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, and Regulations	Non-compliance
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(a) Arts Council Act, No. 18 of 1952.	

(i) Sub Section 10(1)	Meetings of the Council should be held every 3 months. However, only 2 sessions of meetings had been held in 2012.
(ii) Sub Sections 18(1) and (2)	An annual report had not been prepared and furnished to the Minister at the end of a financial year.
(b) Government Financial Regulations	

(i) F.R. 168	During the year under review, receipts had not been issued for the sum of Rs.1,427,850 received.
(ii) F.R. 231(2)	Reference to all important documents, sub vouchers and receipts file had not been mentioned in the paid vouchers, so as to easily identify payments.
(iii) F.R. 237(a)	A sum of Rs.538,600 had been paid for books printed in the current year without a recommendation or a certificate to ascertain that they had been supplied according to specifications.
(iv) F.R. 264(i)	Acknowledgement from recipients to confirm acceptance of payments made to them had not been obtained.
(v) F.R. 371(c)	Advances to 4 officers amounting to Rs.309,000

had been made on 17 occasions. The settlement of balances amounting to Rs.138,939 ranged from 7 to 65 days.

(vi) F.R. 371(2)(b)

During the year 2012, a total sum of Rs.1,042,750 had been paid to Secretaries of 5 sub committees who were not officers of staff grades for expenditure relating to sub committee meetings held.

(vii) F.R. 751(1)

Registers had not been properly maintained for printed books and periodicals.

(c) Circular No. PED/54 of 19
January 2010

Financial position and financial results for preparation of financial statements of state institutions had not been prepared according to the specimens introduced.

1:2:5 Transactions without Adequate Authority

Although a sum of Rs.62,100 had been paid to sub committee Secretaries and Assistant Secretaries for sub committee meetings during the year under review, approval for same had not been obtained from the Director of Establishments and the Department of Management Services.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the financial results for the year under review had resulted in a deficit of Rs.465,600 as compared with the deficit of Rs.202,772 for the previous year. The increase in operating expenses by Rs.203,145 and the decrease in income by Rs.59,685 had mainly attributed to the decrease in financial results by Rs.262,828 for the year under review, as compared with those of the previous year.

3. Operating Review

3:1 Performance

The participation of sub committee members in meetings of 4 of the 5 sub committees established under Section 12(1) of the Arts Council Act No. 18 of 1982 was at a low level. Participation of members in each session of meeting, of the state music sub committees was at a low level of less than half.

3:2 Administration of Staff

The following observations are made.

- (a) Provision had been made in Sections 13(1) and (2) of the Arts Council Act, No. 18 of 1952 for appointment of its staff. Further, reference had been made with regard to the approved posts vide letter No. DMS/E3/53/4/311/1 dated 26 August 2011 of the Department of Management Services. However, the recruitment and promotion procedures had not been prepared and submitted for approval of the Department of Management Services even as at 31 December 2012.
- (b) Employees recruited from 01 August 2005 for 2 posts namely, the Computer Data Processors and the KKS on contract basis continued to be employed without extending their periods of service. They had not been confirmed in their posts even upto 31 May 2013.

4. Accountability and Good Governance

4:1 Corporate Plan

A Corporate Plan for 3 years to achieve the Vision and Objective of the Council had not been prepared as per instructions in Paragraph 05 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.

4:2 Action Plan

The projects, plans or activities expected to be implemented during the year under review had not been included in the Action Plan prepared for the year 2012.

4:3 Budgetary Control

The Arts Council had not prepared a budget for the year 2012.

5. Systems and Controls

Weaknesses in systems and controls observed in audit were brought to the notice of the Chairman of the Council from time to time. Special attention is needed in respect of the following area of control.

- (a) Recruitment of Staff
- (b) Stock Control