

Galle Heritage Foundation -2013

The audit of financial statements of the Galle Heritage Foundation comprising the balance sheet as at 31 December 2013 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 13(2) of the Galle Heritage Foundation Act, No. 7 of 1994. My comments and observations which I consider should be published with the Annual Report of the Galle Heritage Foundation in terms of Section 14((2)(c) of the Finance Act, appear in this report

1:2 Management’s Responsibility for Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial that are free from material misstatements whether due to fraud or error.

1:3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgements, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Galle Heritage Foundation’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Galle Heritage Foundation’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

2. Financial statements

2:1 Opinion

In my opinion the financial statements give a true and fair view of the financial position of the Galle Heritage Foundation as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2:2 Comments on Financial Statements

2:2:1 Accounting Deficiencies

The trading stock of book value amounting to Rs.404,678 as the end of the year under review had not been physically verified.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the financial affairs of the Foundation for the year ended 31 December 2013 had resulted in a deficit of Rs.2,824,939 as against the surplus of Rs.545,882 for the preceding year, thus indicating a deterioration of Rs.3,370,821 as compared with the preceding year. The loss of Rs.4,069,284 incurred from the disposal of assets had been the main reason for the deterioration.

4. Operating Review

4:1 Performance

The following targets in the Action Plan prepared for the year under review had not been achieved.

- (a) Participation in the Productivity Contest.
- (b) Conservation of the Star and Elus War Rooms.
- (c) Construction of a latrines system for the use of the tourists visiting to see the Galle Fort.

4:2 Operating Inefficiencies

The following observations are made.

- (a) Even though the Indian High Commission Office had given 16 musical instruments valued at Rs.836,985 in April 2012 for the Indian Gallery Project proposed with the objective of the development of cultural co-existence between India and Sri Lanka, the Project had not been commenced even by the end of May 2014. Those musical instruments remained in idle storage in the office of the Galle Heritage Foundation.

- (b) An illumination system with 87 electric lights of 1,000 and 400 watts capacity had been installed at a cost of Rs.3,590,467 for the illumination of the Upper Ramparts, the lower Ramparts and the Courts Square of the Galle Fort and problems had arisen due to the unavailability of an adequate staff for the maintenance of the electric illumination system and lighting of electric lamps.

- (c) Problems relating to the use of information by the local and foreign tourists had arisen due to the establishment of the Information Centre and the library of the Galle Heritage Foundation outside the Galle Fort premises.

- (d) The Office of the Galle Heritage Foundation had been established outside the Galle Fort and as such the problems had arisen in the achievement of objectives such as the development, conservation and protection of the Galle Fort and its Historical Background, providing facilities for viewing the scenery and the promotions of normal welfare of the residents.

4:3 Delayed Projects

Even though a sum of Rs.250,121 had been spent in the year 2011 for the modernization of the old jetty for the commencement of a boat service jointly with the private sector for the tourists to view the scenery of the Galle Fort from the sea, the boat service had not been commenced even by 30 May 2014.

4:4 Management Inefficiencies

Even though a sum of Rs.84,750 comprising the employer and employee contribution of Rs.56,500 and surcharges amounting to Rs.28,250 had been paid on an order of the Department of Labour made due to the failure to pay the contributions to the Employees' Provident for the period from August 2007 to February 2012, action had not been taken for the recovery of the employees' contribution of Rs.22,600 from the parties concerned.

4:5 Staff Administration

Even though the approved staff of the Galle Heritage Foundation had been 19, vacancies in 03 posts of Project Assistants, 02 posts of Management Assistants, 02 posts of Security Guards and one post of Project Assistant (Accounts) remained as at the end of the year under review.

5. Accountability and Good Governance

5:1 Internal Audit

An Internal Audit Unit had not functioned during the year under review.

5.2 Systems and Controls

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

(a) Expenditure Control

(b) Accounting