

Tower Hall Foundation - 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 Tower Hall Foundation as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1:2 Comments on Financial Statements

1:2:1 Accounting Deficiencies

The following observations are made.

- (a) The aggregated cost of 9 items of machinery, plant and equipment and the total cost of 6 vehicles in operation amounted to Rs.146,882,915 and Rs.12,103,015 respectively. Their present total net value as at the date of balance sheet had decreased up to Rs.19,879,124 and Rs.2,114,675 respectively. Action had not been taken to revalue them and include in the financial statements so as to show the fair value of those assets.

- (b) Assets named “Kalapura” and “T.K. Recording Room” worth Rs.15,135 and Rs.104,044 respectively had been removed from the Foundation in 2011. However, those assets had been shown in the financial statements at zero values.

1:2:2 Accounts Receivable

The total value of 4 balances of debtors in arrears for over 5 years amounting to Rs.120,620 could not recovered even as at end of the year under review.

1:2:3 Lack of Evidence for Audit

The following items of accounts could not be satisfactorily vouched in audit due to the absence of evidence indicated against each item.

Item of Account	Value	Evidence not furnished
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	Rs.	
Office equipment, computers, machinery and plant, musical equipment	137,951,196	Register of fixed assets, main inventory and board of survey reports.

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

Instances of non-compliance with laws, rules, regulations etc., observed appear below .

Reference to Laws, Rules, Regulations, etc.,	Non-compliance
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(a) Section 11 of the Finance Act, No. 38 of 1971 and Paragraph 8.2.2 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.	Approval of the Treasury should be obtained for investing the surplus money of public enterprises. However, the Foundation had not obtained Treasury approval for the investment of Rs. 3 million in fixed deposits in 2012.

- (b) Financial Regulations 756,757 and Paragraph 7:4:5 of the Public Enterprises Circular No. PED/12 dated 02 June 2003. A board of survey should be appointed on 15th December or a nearly date of each year to carry out a board of survey. However, the Foundation had not carried out a board of survey for 2012 even as at June 2013.
- (c) Financial Regulations 454(1) and 751(1) Machinery and equipment valued at Rs.9,641,290 purchased during the modernization of the Elphinstone Hall had not been entered in the main inventory and distributed among each division.
- (d) Paragraph 8.3.5(a) of the Public Enterprises Circular No. PED/12 dated 02 June 2003 and Paragraph 02 of the Public Enterprises Circular No. PED/39 dated 09 October 2006. Vehicles of the Foundation had been given to the Assistant Director (Promotion of dramas, welfare of artistes and programmes) and to the Senior Manager (Hall) up to September 2012. In this connection, monthly fuel allowances at the rate of Rs.17,880 each had been paid without the approval of the Treasury. The amount so paid in 2012 amounted to Rs.211,680 and Rs.158,040 respectively.
- (e) Guidelines 8.9.1 and 8.9.3 of the Government Procurement Procedures. Consultancy services had been rendered by the Department of National Buildings with regard to the modernization of Elphinstone Hall at an estimated value of Rs.289 million and the construction work had been carried out by the Department of Civil Defence by rendering the services of labourers. The Tower Hall Foundation had not entered into a memorandum of understanding with those parties even as at April 2013 for the construction work commenced on 31 May 2012.

2. Financial Review

2:1 Financial Results

Financial results of the Tower Hall Foundation for the year under review had been a deficit of Rs.11,411,238 as compared with the deficit of the previous year amounting to Rs.11,657,128. An improvement in financial results amounting to Rs.245,890 as compared with the previous was due to the increase in operating income compared with the operating expenditure of the Foundation.

2:2 Analytical Financial Review

During the year under review, interest from bank deposits and income from rent had increased by Rs.3,933,631 representing an increase of 19.67 per cent compared with the previous year. However, the main operating income of the hall, that is, the hall charges had decreased by Rs.3,434,935 representing 33 per cent, compared with the previous year. Meanwhile, the establishment and administration expenditure had increased by Rs.4,268,940 or 7.88 per cent compared with the previous year. Although the income from hall charges had decreased by a bigger percentage, the expenditure had decreased compared with the income. As a result, the deficit had slightly decreased.

3. Operating Review

3:1 Performance

According to the action plan, modernization activities relating to the Elphinstone hall was planned to commence in the first quarter of 2012 and completed by end of the year 2012 at a cost of Rs. 80 million. However, the financial progress of this activity as at end of 2012 was Rs.14.99 million only and the physical performance too was not at a measurable position at that instance.

3:2 Management Inefficiencies

A sum of Rs.9,195,975 had been paid to fix 735 new seats at the Tower Hall Foundation after the modernizing carried out in 2009. The technical evaluation committee's specification for the seat was a maximum height of 850 milli metres. It was observed to be unsuitable and was subsequently altered to 1000 milli metres, and purchases had been made accordingly. As a result, the viewers on the rare side was unable to view the stage. Although over 2 years had elapsed since the modernization of the Tower Hall Foundation, it remained unaltered even by 31 December 2012.

Dismantling the seats fixed with shortcomings so as to enable the viewers at the rear portion to have a distinct view of the stage may result in incurring cost as well as the risk of losing income as the Tower Hall Foundation may have to be closed during that period.

4. Accountability and Good Governance

4:1 Presentation of Accounts

(a) The financial statements for the year ended 31 December 2012 should have been furnished to the Auditor General before 28 February 2013 in terms of Paragraph 6.5 of the Public Enterprises Circular No. PED/12 dated 02 June 2003. However, the financial statements had been presented for audit on 17 July 2013, after a delay of 5 months.

(b) The draft financial statements had been furnished to audit on 08 April 2013 and accounting deficiencies amounting to Rs.18,315,952 and unexplained variations amounting to Rs.13,594,425 were revealed in audit. These had been pointed out and rectified financial statements had been finally presented to audit.

(c) A code number method had not been used to identify each account in the ledger. The accounts in the ledger had not been classified, summarized and a trial balance prepared. There were many accounts relating to identical transactions based on institutions and years.

4:2 Corporate Plan

A corporate plan for not less than 3 years had not been prepared so as to achieve the objectives and targets in order to fulfill the mission of the Foundation, as required by Paragraph 5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.

4:3 Action Plan

Instead of preparing a corporate plan as stated in paragraph 5.2 above, an annual action plan had been prepared.

4:4 Budgetary Control

There were variances ranging from 21 to 8100 per cent while actually achieving certain targets of income and expenditure referred to in the revised budget prepared for the year 2012. Thus it was observed that the budget had not been utilized as an effective instrument of management control.

4:5 Tabling of Annual Reports

The Foundation had not tabled the annual report of 2011 in Parliament even as at 31 March 2013.

5. Systems and Controls

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

- (a) Accounting
- (b) Activities of Employees
- (c) Vehicle Control
- (d) Assets Control
- (e) Procurement Activities

