

Tower Hall Theater Foundation

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Tower Hall Theatre Foundation had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Tower Hall Theatre Foundation as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.2 Comments on Financial Statements

1.2.1 Rendition of Accounts

The corrected financial statements were presented for audit after making corrections for understatements amounting to Rs.2,100,000 in the accounts which were observed and pointed out at the audit examinations.

1.2.2 Accounting Deficiencies

(a) According to the Sri Lanka Accounting Standard No. 24, the receipts of Government grants of non – financial nature should be credited to a reserve and an amount in compliance with the depreciation policy should be identified annually against the revenue throughout the effective life of the asset received by crediting profit for the year against the grant reserve. But, action had not been taken to identify against the revenue as required above a sum of Rs.32,086,849 depreciated as such as at 01 January 2010 with regard to the sounds studio equipment and motor vehicles valued at Rs.44,901,250 received during the years 2003 and 2006.

(b) A sum of Rs.2,514,476 and a sum of Rs.502,895 respectively had been brought to account as expenditure of the year under review as outstanding contributions of the Employees Provident Fund and the Employees Trust Fund relating to the period 2000 – 2008 due to computation of contributions to the Employees

(ii) Sub – imprests in excess of the maximum limit of Rs.20,000 had been given to the same officer in 22 instances on 22 February, and 03, 10 and 16 of March 2010, contrary to the Financial Regulations. The total of advances so granted was Rs.890,000.

(b) Financial Regulations 756 and 757

The Foundation had not conducted a verification of goods for the year 2010.

(c) Public Enterprises Circular No. PED/12 dated 02 June 2003; Paragraph 9:3

Procedures for recruitment and promotions of the institutional staff based on the approved organization structure and the salary scales had not been prepared and get approved even as at end of the year under review.

(d) Public Administration Circular No. 13/2008 dated 26 June 2008. Paragraph 9

A monthly fuel allowance of Rs.13,800 had been paid for the posts of Accountant and Senior Manager (Theatres) of the Tower Hall Theater Foundation, on a decision of Board of Trust and the approval of the Department of Public Enterprises had not been obtained for the same.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

The financial result of the Tower Hall Theatre Foundation for the year under review was a deficit of Rs.8,455,736 as against the surplus of Rs.2,421,609 for the preceding year. The decrease of Government grants received by Rs.4,980,000 and the increase of financial and operating expenses by Rs.7,693,734 had mainly contributed for the deterioration of Rs.10,877,345 in the financial results comparative to the preceding year.

- (b) According to the Action Plan, a provision of Rs.500,000 had been made for 10 ceremonies for appreciation of artists. However, according to the progress report for the period up to August 2010, a sum of Rs.864,406 had been spent only for 02 ceremonies.
- (c) Adequate information had not been made available for audit to evaluate the physical performance achieved during the year 2010 towards the fulfillment of the objectives of the Foundation.

2.2.2 Management Inefficiencies

- (a) According to the provisions of the Management Services Circular No. 30 dated 22 September 2006 the staff of the Foundation should be absorbed to the new posts and the new salary scales in compliance with the above provisions and the approval of the Department of Management Services should be obtained. But, the institution had not acted accordingly even as at 31 December 2010.
- (b) The annual reports for years 2008 and 2009 had not been tabled in Parliament even as at 31 December 2010.
- (c) The Tower Hall Theatre had been closed for reconstruction works since 01 September 2008 and due to the delay in completion of reconstruction works the institution had deprived of an estimated theatre income of Rs.1,488,000 for the year 2010.

2.2.3 Underutilization of Funds

The following matters were observed.

- (a) A balance of over Rs.9 million had been lying in the Bank of Ceylon current account of the Foundation and no attention had been paid to invest them in an effective manner.
- (b) A balance of Rs. 1 million had remained idle in a current account at the Bank of Ceylon, Negombo Branch from August 2009 to 31 December 2010.

- (iii) Financial Control
- (iv) Control over advances
- (v) Usage of vehicles and fuel consumption